



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

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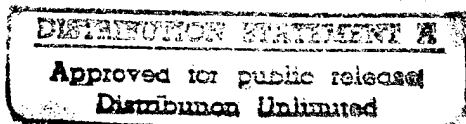
Letter of Transmittal

The attached Change 7 to the 1 October 1988 SAMM includes updates pertaining to planning, transportation, Letter of Offer and Acceptance execution, and credit oversight, as well as changes to other sections. You are encouraged to review the guidance as it is collated into the manual in order that changes to current policies and procedures may be noted.

Your comments and suggestions are a primary source of information to bolster efforts to make the manual more useful. Chapter 1, section 10008 shows how to provide formal or informal feedback.

Thomas G. Rhame
Lieutenant General, USA
Director

Attachment
as stated



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SECURITY ASSISTANCE MANAGEMENT MANUAL (SAMM)

FORMAL CHANGE NO. 7 INCLUDES THE FOLLOWING INFORMATION:

MAJOR CHANGES (by CHAPTER) are as follows:

CHAPTER 2 Section 202, Paragraph 20202.B.7. Environmental Considerations in security assistance transfers has been added.

Section 203, Paragraph 20303.D.6. Updated guidance reference MANPADS.

CHAPTER 4 Section 400. This section has been revised.

CHAPTER 6 Section 600, Table 600-1, Pages 600-7 through 600-14. The Country and International Organization Information has been updated.

Section 601, Paragraph 60106. Adds the CINC and SAO on distribution of approved correspondence pertaining to direct commercial correspondence.

Section 601, Paragraph 60107. New paragraph reference FMS Customer Responsibilities concerning obtaining FMS and commercial data quotes.

CHAPTER 7 Section 700. Updated guidance reference CLSSA and FMS cases and LOI amendments.

Section 700, Table 700-6, Pages 700-16 through 700-29. Table has been updated.

Section 701, Paragraph 70103.H. New paragraph discussing the Automated Case Approval System (ACAS).

Section 701, Paragraph 70105.L.4. Offset Administration LOA note revised.

Section 701, Paragraph 70105.L.7. New paragraph adding environmental hazards LOA note.

Section 701, Paragraph 70105.L.8. TOW-2B security and accountability LOA note.

Section 701, Paragraph 70105.M. LOA pen and ink guidance change.

DTIC QUALITY INSPECTED 4

CHAPTER 8 Section 801, Paragraph 80102.B.1.d. Sole source procurement change.

Section 802, Paragraph 80202.E. Guidance on secondary items to support peace-keeping requirements.

Section 80206. This section reference Transportation has been revised. This section also incorporates material previously in Paragraph 80304.D. and in Section 903.

Section 804, Paragraph 80402.C.5. Paragraph added reference processing LOAs under ACAS.

CHAPTER 9 Section 902. This entire section has been repaginated. Guidelines for FMF of Direct Commercial Contracts has been replaced. Former Table 902-6 (Essential Contract Elements) has been deleted and incorporated into current guidelines.

Section 903. This section has been moved to paragraph 80206.

CHAPTER 10 Section 1000, Table 1000-1. Updated Two Year Training Plan guidance.

Section 1001, Paragraph 100105.6. New paragraph reference training of civilians.

Section 1001, Paragraph 100110. New training guidance reference allocations and reallocations.

Section 1001, Paragraph 100114. Updated matrix on health care agreements.

Section 1001, Table 1001-2, Page 1001-18. Paragraphs (10) and (13) updated.

CHAPTER 12 Section 1200. Lease format, coordination and Congressional Notification changes.

Section 1200, Table 1200-14, Pages 1200-24 through 1200-25. Sample Lease Amendment added.

CHAPTER 13 Section 1303, Paragraph 130304.E.1. Changes routing of flying hours program information. Updates office symbols and addresses.

CHAPTER 14 Section 1401, Paragraph 140105.F. Frequency of DSAA 1226 changed to annual versus semiannual.

Section 1401, Paragraph 140107. Changes regarding requests for offset procurement.

CHAPTER 15 Section 1504, Pages 1504-9 and 1504-10. Updated Specification for new ADP equipment reference SADP and IDSS.

APPENDIX A General update to abbreviations and acronyms.

APPENDIX B Updated definition of CLSSA.

APPENDIX D Updated and revised Table D-7, Generic Codes.

APPENDIX F Transportation cost Look-Up Table has been updated.

MISCELLANEOUS

This change also includes other changes and miscellaneous editorial changes to correct and/or update office symbols, addresses, telephone numbers, etc.

**REMOVE AND INSERT
FOR CHANGE 7**

The following page changes to DOD 5105.38-M, *Security Assistance Management Manual* are effective immediately. The Letter of Transmittal with its accompanying memos indicating major changes, pages to be removed/added, and the List of Effective Pages should be kept together and placed at the very front of the *SAMM*.

Remove

vii through xviii
202-3 through 202-4
203-3 through 203-4
203-7 through 203-8
400-i through 400-ii
400-1 through 400-2
401-1 through 401-10
600-i through 600-ii
600-7 through 600-14
601-1 through 601-4
700-i through 700-ii
700-1 through 700-30
701-3 through 701-32
702-3 through 703-3
703-16 through 703-17
703-22 through 703-23
800-i through 800-ii
801-1 through 801-2
802-1 through 802-2
802-5 through 802-20
803-3 through 803-4
804-1 through 804-6
900-i through 900-ii
900-1 through 900-2
902-8 through 902-93
903-1 through 903-3
1000-i through 1000-ii
1000-5 through 1000-10

Insert

vii through xviii
202-3 through 202-4
203-3 through 203-4
203-7 through 203-8
400-i through 400-ii
400-1 through 400-8

600-i through 600-ii
600-7 through 600-14
601-1 through 601-4
700-i through 700-ii
700-1 through 700-30
701-3 through 701-32
702-3 through 703-3
703-16 through 703-17
703-22 through 703-23
800-i through 800-ii
801-1 through 801-2
802-1 through 802-2
802-5 through 802-18
803-3 through 803-4
804-1 through 804-6
900-i through 900-ii
900-1 through 900-2
902-8 through 902-65
903-1 through 903-2
1000-i through 1000-ii
1000-5 through 1000-10

Remove

1001-3 through 1001-14
 1001-17 through 1001-18
 1003-7 through 1003-8
 1101-1 through 1101-2
 1200-i through 1200-ii
 1200-1 through 1200-24
 1303-5 through 1303-10
 1400-i through 1400-ii
 1401-8 through 1401-11
 1401-14 through 1401-25
 1504-9 through 1504-10
 A-5 through A-8
 B-3 through B-4
 B-7 through B-18
 C-1 through C-4
 D-i through D-ii
 D-27 through D-52
 E-1 through E-2
 E-23 through E-24
 F-i through F-ii
 F-5 through F-12
 Index-1 through Index-14

Insert

1001-3 through 1001-14
 1001-17 through 1001-18
 1003-7 through 1003-8
 1101-1 through 1101-2
 1200-i through 1200-ii
 1200-1 through 1200-26
 1303-5 through 1303-10
 1400-i through 1400-ii
 1401-8 through 1401-11
 1401-14 through 1401-25
 1504-9 through 1504-10
 A-5 through A-8
 B-3 through B-4
 B-7 through B-18
 C-1 through C-4
 D-i through D-ii
 D-27 through D-52
 E-1 through E-2
 E-23 through E-24
 F-i through F-ii
 F-5 through F-14
 Index-1 through Index-14

Lines which are fully or partially changed are identified by marginal asterisks (*). If a new paragraph or subparagraph is added or an existing paragraph or subparagraph is rewritten, the first line of such paragraph or subparagraph is annotated with a double asterisk (**).

LIST OF EFFECTIVE PAGES

<u>Chapters</u>	<u>Page Numbers</u>	<u>Date of Latest Revision</u>
Foreword.....	Foreword	2 Jul 90
Table of Contents.....	vii through xviii	5 Jan 96
Chapter 1	100-i.....	Initial
	100-1 through 100-2	Initial
	100-3.....	10 May 94
	101-1.....	10 May 94
Chapter 2	200-i through 200-ii	10 May 94
	200-1.....	Initial
	201-1.....	Initial
	202-1 through 202-2	Initial
	202-3 through 202-4	5 Jan 96
	202-5 through 202-14.....	10 May 94
	203-1 through 203-2	2 Jul 90
	203-3 through 203-4	5 Jan 96
	203-5 through 203-6	10 May 94
	203-7 through 203-8	5 Jan 96
Chapter 3	300-i through 300-ii	2 Mar 92
	300-1 through 300-8	10 May 94
	300-9 through 300-14.....	2 Mar 92
	301-1 through 301-2	2 Mar 92
Chapter 4	400-i through 400-ii	5 Jan 96
	400-1 through 400-8	5 Jan 96
Chapter 5	500-1 through 500-3	Initial
	501-1 through 501-5	Initial
	502-1 through 502-2	2 Jul 90
	502-3 through 502-6	2 Nov 92
	503-1 through 503-10.....	Initial
	503-11 through 503-12.....	20 Oct 89
Chapter 6	600-i through 600-ii	5 Jan 96
	600-1 through 600-6	2 Mar 92
	600-7 through 600-14.....	5 Jan 96
	601-1 through 601-4	5 Jan 96
	602-1 through 602-2	Initial
	602-3 through 602-4	20 Oct 89
	603-1 through 603-2	10 May 94
	603-3 through 603-4	2 Nov 92
Chapter 7	700-i through 700-ii	5 Jan 96
	700-1 through 700-30.....	5 Jan 96
	701-1 through 701-2	2 Nov 92

<u>Date of Chapters</u>	<u>Page Numbers</u>	<u>Latest Revision</u>
Chapter 7	701-3 through 701-32.....	5 Jan 96
	702-1 through 702-2.....	2 Nov 92
	702-3 through 702-5.....	5 Jan 96
	703-1 through 703-3.....	5 Jan 96
	703-4 through 703-7.....	10 May 94
	703-8 through 703-9.....	1 Mar 91
	703-10 through 703-11.....	10 May 94
	703-12 through 703-15.....	1 Mar 91
	703-16 through 703-17.....	5 Jan 96
	703-18 through 703-19.....	10 May 94
	703-20 through 703-21.....	1 Mar 91
	703-22 through 703-23.....	5 Jan 96
	703-24 through 703-25.....	10 May 94
	704-1 through 704-2.....	10 May 94
	704-3 through 704-8.....	2 Mar 92
Chapter 8	800-i through 800-ii.....	5 Jan 96
	800-1 through 800-2.....	2 Mar 92
	801-1 through 801-2.....	5 Jan 96
	801-3 through 801-4.....	2 Nov 92
	801-5 through 801-6.....	2 Jul 90
	801-7 through 801-8.....	10 May 94
	802-1 through 802-2.....	5 Jan 96
	802-3 through 802-4.....	10 May 94
	802-5 through 802-18.....	5 Jan 96
	803-1 through 803-2.....	10 May 94
	803-3 through 803-4.....	5 Jan 96
	804-1 through 804-6.....	5 Jan 96
	804-7 through 804-12.....	2 Nov 92
Chapter 9	900-i through 900-ii.....	5 Jan 96
	900-1 through 900-2.....	5 Jan 96
	900-3 through 900-4.....	10 May 94
	901-1.....	10 May 94
	902-1.....	10 May 94
	902-2 through 902-3.....	Initial
	902-4 through 902-7.....	2 Nov 92
	902-8 through 902-65.....	5 Jan 96
	903-1 through 903-2.....	5 Jan 96
Chapter 10.....	1000-i through 1000-ii.....	5 Jan 96
	1000-1 through 1000-4.....	10 May 94
	1000-5 through 1000-10.....	5 Jan 96
	1001-1 through 1001-2.....	10 May 94
	1001-3 through 1001-14.....	5 Jan 96
	1001-15 through 1001-16.....	10 May 94
	1001-17 through 1001-18.....	5 Jan 96
	1001-19 through 1001-22.....	10 May 94

<u>Chapters</u>	<u>Page Numbers</u>	<u>Date of Latest Revision</u>
Chapter 10.....	1002-1 through 1002-4	10 May 94
	1003-1 through 1003-6	10 May 94
	1003-7 through 1003-8	5 Jan 96
	1004-1 through 1004-4	10 May 94
	1005-1 through 1005-2	10 May 94
Chapter 11.....	1100-i through 1100-ii	10 May 94
	1100-1 through 1100-4	10 May 94
	1101-1 through 1101-2	5 Jan 96
	1101-3 through 1101-4	10 May 94
	1102-1 through 1102-2	10 May 94
Chapter 12.....	1200-i through 1200-ii	5 Jan 96
	1200-1 through 1200-26	5 Jan 96
	1201-1 through 1201-2	10 May 94
Chapter 13.....	1300-i through 1300-ii	2 Nov 92
	1300-1	1 Mar 91
	1301-1	1 Mar 91
	1301-2 through 1301-3	2 Mar 92
	1301-4 through 1301-7	10 May 94
	1301-8 through 1301-9	2 Jul 90
	1301-10 through 1301-11	1 Mar 91
	1301-12 through 1301-13	2 Nov 92
	1302-1 through 1302-8	2 Jul 90
	1302-9 through 1302-10	20 Oct 89
	1303-1 through 1303-2	1 Mar 91
	1303-3 through 1303-4	20 Oct 89
	1303-5 through 1303-10	5 Jan 96
	1303-11 through 1303-12	20 Oct 89
	1304-1 through 1304-4	2 Jul 90
	1304-5 through 1304-10	1 Mar 91
	1305-1 through 1305-2	2 Nov 92
	1305-3 through 1305-6	20 Oct 89
	1305-7	2 Jul 90
	1306-1	2 Jul 90
	1307-1 through 1307-2	10 May 94
	1307-3 through 1307-4	2 Mar 92
	1307-5 through 1307-8	10 May 94
	1307-9 through 1307-10	2 Mar 92
	1307-11 through 1307-13	2 Jul 90
	1308-1	2 Jul 90
	1308-2 through 1308-3	2 Nov 92
	1309-1 through 1309-2	20 Oct 89

<u>Chapters</u>	<u>Page Numbers</u>	<u>Date of Latest Revision</u>
Chapter 14.....	1400-i through 1400-ii.....	5 Jan 96
	1400-1 through 1400-16.....	1 Mar 91
	1400-17.....	2 Mar 92
	1401-1 through 1401-3.....	2 Mar 92
	1401-4 through 1401-7.....	2 Jul 90
	1401-8 through 1401-11.....	5 Jan 96
	1401-12 through 1401-13.....	10 May 94
	1401-14 through 1401-25.....	5 Jan 96
	1401-26 through 1401-28.....	Initial
Chapter 15.....	1500-i through 1500-ii.....	10 May 94
	1500-1 through 1500-4.....	Initial
	1500-5 through 1500-6.....	2 Jul 90
	1500-7 through 1500-20.....	Initial
	1501-1 through 1501-2.....	2 Mar 92
	1501-3 through 1501-20.....	Initial
	1502-1 through 1502-18.....	Initial
	1503-1 through 1503-6.....	Initial
	1503-7 through 1503-8.....	2 Mar 92
	1503-9 through 1503-21.....	Initial
	1504-1 through 1504-2.....	2 Nov 92
	1504-3 through 1504-8.....	10 May 94
	1504-9 through 1504-10.....	5 Jan 96
	1504-11 through 1504-14.....	10 May 94
Appendix A	A-1 through A-4	10 May 94
	A-5 through A-8.....	5 Jan 96
Appendix B	B-1 through B-2	2 Nov 92
	B-3 through B-4.....	5 Jan 96
	B-5 through B-6.....	10 May 94
	B-7 through B-18.....	5 Jan 96
Appendix C	C-1 through C-4	5 Jan 96
Appendix D	D-i through D-ii	5 Jan 96
	D-1 through D-2.....	20 Oct 89
	D-3 through D-4.....	2 Mar 92
	D-5 through D-8.....	2 Nov 92
	D-9 through D-14.....	2 Jul 90
	D-15 through D-16.....	2 Mar 92
	D-17 through D-18.....	20 Oct 89
	D-19 through D-22.....	Initial
	D-23 through D-26.....	2 Nov 92
	D-27 through D-52.....	5 Jan 96
	D-53 through D-74.....	2 Nov 92
Appendix E.....	E-i through E-ii	2 Mar 92
	E-1 through E-2.....	5 Jan 96
	E-3 through E-20.....	2 Mar 92
	E-21 through E-22.....	2 Nov 92
	E-23 through E-24.....	5 Jan 96

<u>Chapters</u>	<u>Page Numbers</u>	<u>Date of Latest Revision</u>
Appendix F.....	F-i through F-ii	5 Jan 96
	F-1 through F-2.....	10 May 94
	F-3 through F-4.....	Initial
	F-5 through F-14	5 Jan 96
Index.....	Index-1 through Index-14	5 Jan 96

TABLE OF CONTENTS

Chapter One--Introduction to Security Assistance

	Page
Section 100 - Manual Purpose and Structure	100-1
10001 Purpose	100-1
10002 Organization	100-1
10003 Chapter Identification System	100-1
10004 Applicability	100-1
10005 Objectives	100-2
10006 Basic Issues and Changes	100-2
10007 Distribution	100-2
10008 Interpretation, Recommendations, and Deviations	100-3
10009 Effective Date and Implementation	100-3
Section 101 - Rationale and Scope	101-1
10101 Purpose	101-1
10102 Rationale for Security Assistance Program	101-1
10103 Security Assistance Scope	101-1
10104 Implementation	101-1

Chapter Two--Major Statutory and Policy Provisions

Section 200 - General	200-1
20001 Purpose	200-1
20002 Background	200-1
Section 201 - Grant Aid	201-1
20101 General	201-1
20102 MAP	201-1
20103 IMET	201-1
Section 202 - Foreign Military Sales	202-1
20201 Legislative Authority for FMS	202-1
20202 Policies	202-2
Section 203 - Special Provisions	203-1
20301 Constraints on Eligibility	203-1
20302 Ship Transfers	203-3
20303 Security Notes Related to Man-Portable Air Defense Systems	
Sales	203-4
20304 Suspensions and Cancellations of Security Assistance	203-7

Chapter Three--Responsibilities and Relationships

Section 300 - Responsibilities	300-1
30001 General	300-1
30002 The Department of Defense	300-1
Section 301 - Relationships	301-1
30101 Channels of Communications	301-1
30102 Directives and Record Communications	301-1

Chapter Four--Security Assistance Planning

Section 400 - General	400-1	**
40001 Purpose and Scope	400-1	
40002 Policy	400-1	
40003 General	400-1	
40004 Responsibilities	400-1	
40005 Planning Considerations	400-1	
40006 Planning Activities and Tools	400-2	
40007 Security Assistance in Wartime	400-3	

Chapter Five--Technology Transfer, Classified Military Information and Security

Section 500 - General	500-1
50001 Purpose	500-1
50002 Definitions	500-1
50003 Policy	500-2
Section 501 - Disclosure of Classified Information to Foreign Governments and International Organizations	501-1
50101 Purpose	501-1
50102 Policy	501-1
50103 Disclosure Authorities	501-1
50104 Responsibilities	501-1
50105 Disclosure Decisions	501-1
50106 False Impressions	501-2
50107 Control of Foreign Representatives	501-2
50108 Industrial Security	501-2
50109 Defense Industrial Clearance Office (DISCO)	501-3
50110 User Agency Contracts Requiring Overseas Deliveries	501-3
50111 Transmission of Classified Materiel to Foreign Governments	501-3
50112 U.S Contract to Foreign Firms	501-5
Section 502 - Security Classification and Release of Information	502-1
50201 Purpose	502-1
50202 Security Classification Guidelines	502-1
50203 Release of Information	502-3
50204 RCS:DSAA (AR) 1200 FMS Report Submissions	502-5
50205 Foreign Country Involvement in the DOD Contractual Process	502-5
50206 Foreign Government Information	502-6
Section 503 - Export License and Customs Clearance Guidance for FMS Customers	503-1
50301 Purpose	503-1
50302 U.S. DOD Sponsored Shipments of FMS Materiel	503-1
50303 Shipments of Unclassified FMS Purchased Materiel through Country Representatives or Freight Forwarders	503-1
50304 FMS Customer Responsibility	503-3
50305 In-transit Shipments of Unclassified Defense Articles	503-4
50306 State Department Approval of Proposed Sales Relating to SME	503-4
50307 Procedures for the Export of Classified Defense Articles/Services	503-5
50308 FMS Credit Financed Direct Commercial Contracts	503-5

Chapter Six--Military Export Sales Policies and Considerations

Section 600 - Policy Considerations	600-1	
60001 General	600-1	
60002 Disbursing Agent/Non-US Administrative Support Costs	600-2	
60003 Proper Use of US-Origin Items	600-2	
60004 Third Party Transfer Certification	600-3	
60005 Foreign Military Design and Construction Sales	600-4	
60006 Communications Security (COMSEC) Programs	600-5	
60007 Translation Services	600-5	
60008 Exclusive Licensing Arrangements	600-5	
Section 601 - Contractor Preference for Direct Commercial Sales	601-1	
60101 Purpose	601-1	
60102 General	601-1	
60103 Guidelines	601-2	
60104 Commercial Source Responsibilities	601-3	
60105 DSAA Responsibilities	601-3	
60106 DoD Component Responsibilities	601-3	
60107 FMS Customer Responsibility	601-4	**
Section 602 - SAO-Industry SA Relations	602-1	
60201 Purpose	602-1	
60202 SAO Guidelines	602-1	
60203 Guidelines for Industry Interface with SAOs	602-3	
Section 603 - Sale of GFE, GFM, & Related Services	603-1	
60301 Purpose	603-1	
60302 General	603-1	
60303 Priorities and Allocations	603-2	
60304 Financial Matters	603-2	
60305 Sales Agreement	603-2	

Chapter Seven--Preparation and Processing of FMS Cases

Section 700 - General Information, FMS Agreements	700-1	
70001 Purpose	700-1	
70002 Background/Definitions	700-1	
70003 Procedures	700-4	*
Section 701 - Preparation and Processing of LOAs	701-1	
70101 Purpose	701-1	
70102 Policies	701-1	
70103 General Procedures	701-2	
70104 Preparing the Letter of Offer and Acceptance	701-4	*
70105 Additional Considerations	701-5	*
Section 702 - Specialized LOA Lines	702-1	
70201 Program Management Lines	702-1	
70202 Contingency Requirements	702-2	
70203 CAS Performed Outside the US	702-4	

Section 703 - Congressional Section 36(b) Notifications and Reports of FMS	703-1
70301 Purpose	703-1
70302 Statutory Provisions, Executive Requirements and Exceptions	703-1
70303 Criteria and Responsibilities for Congressional Submissions	703-6
70304 Procedures	703-8
70305 Classification	703-10

Section 704 - Case Management	704-1
70401 The Scope of Case Management	704-1
70402 Case Management Authority, Responsibility, Accountability and Control	704-1
70403 Reporting Requirements	704-4
70404 The Case Manager's Role in the Assignment of Tasks	704-4
70405 Performance Specifications and Measurement Standards	704-5
70406 Formal Training to Meet Special Requirements of the Case Manager.	704-5

Chapter Eight--FMS Case Performance

Section 800 - Case Implementation and Execution	800-1
80001 Implementation	800-1
80002 Execution	800-2

Section 801 - Acquisition for FMS	801-1
80101 DOD Regulations and Procedures	801-1
80102 FMS Customer Requests for Specific Source	801-1
80103 Sales Commissions and Agents Fees	801-4
80104 Appointment of an Agent	801-6
80105 Warranties	801-7

Section 802 - Logistics	802-1
80201 General	802-1
80202 Secondary Item Support	802-1
80203 Diversions and Withdrawals of Materiel	802-2
80204 System Support Buyout	802-4
80205 Requisition Procedures	802-4
80206 Transportation	802-5 **

Section 803 - Management of Excess Defense Articles	803-1
80301 Legislation	803-1
80302 General	803-1
80303 EDA Control/Congressional Notification	803-2
80304 LOA Procedures	803-3

Section 804 - Amendments and Modifications	804-1
80401 General	804-1
80402 Amendments to LOAs	804-1
80403 Modification of LOAs	804-2

Chapter Nine--FMS Direct Credit and Guaranteed Loan Financing

Section 900 - General	900-1	
90001 Purpose	900-1	
90002 Introduction	900-1	
90003 Arms Export Control Act Authorization	900-1	
90004 Additional Provisions of the Act	900-2	
90005 Classified Materiels	900-3	
90006 Third Party Transfers	900-3	
90007 Cash Flow Financing	900-3	
Section 901 - Eligibility	901-1	
90101 General	901-1	
90102 Use of Financing	901-1	
Section 902 - Process and Procedures	902-1	
90201 General	902-1	
90202 Congressional Authorization and Appropriations	902-1	
90203 Apportionment	902-1	
90204 Implementation and Management of Loans	902-1	
90205 Issuance of FMS Loans	902-2	
90206 Approval of FMS Credit-Financed Purchases	902-3	
90207 Commitment of FMS Credit Funds	902-3	
90208 Disbursement of FMS Loan Funds	902-4	
90209 Direct Commercial Purchases	902-4	
90210 Off-Shore Procurement	902-5	
90211 Repayments of FMS Loans	902-6	
Section 903 - Transportation (moved to Section 80206)	903-1	**

Chapter Ten--Training Program Management

Section 1000 - Introduction and General	1000-1
100001 Basic Guidelines	1000-1
100002 Program Planning and Development	1000-1
100003 Cross-Service Training	1000-3
100004 DoD Informational Program	1000-3
100005 Extraordinary Expenses	1000-4
100006 Classified Information	1000-4
100007 Minimum Student Age	1000-5
100008 Self-Invited Visits	1000-5
100009 Security Assistance Network Automation Program	1000-5
Section 1001 - International Military Education and Training	1001-1
100101 IMET Areas of Emphasis	1001-1
100102 Objectives	1001-1
100103 Expanded IMET Objectives	1001-1
100104 General Constraints to IMET Funding	1001-1
100105 Specific Policy Constraints Requiring Waiver Approval	1001-2
100106 Policy and Legal Constraints that Cannot be Waived	1001-3
100107 Required Military Police Training Certification	1001-4
100108 Submitting Requests for IMET Waivers	1001-4

100109 Selection, Utilization, and Monitoring of Trainees	1001-4	
100110 Allocations and Reallocations	1001-5	**
100111 Transportation for IMET Trainees	1001-5	
100112 Living Allowances for IMS	1001-7	*
100113 IMS Baggage and SCIATT Guest Instructor Allowances	1001-8	
100114 Medical Costs	1001-9	
100115 Assignment of Budget Year Priority Codes	1001-10	*
100116 Training Analysis Codes	1001-10	
100117 Standardized WCNs	1001-10	
100118 Fifth Quarter Training	1001-10	
100119 Implementation	1001-11	*
100120 Funding and Financial Considerations	1001-11	*
Section 1002 - Foreign Military Sales Training	1002-1	
100201 AECA Requirements	1002-1	
100202 Program Finalization	1002-1	
100203 Training Requirements Related to Purchase of Major Equipment	1002-1	
100204 Tuition Rates	1002-2	
100205 Training at Civilian Institutions or by Contractor	1002-2	
100206 Training of Civilians Under FMS	1002-2	
100207 Transportation and Travel	1002-2	
100208 Living Allowances and Privileges	1002-2	
Section 1003 - Specialized Training	1003-1	
100301 General	1003-1	
100302 English Language Training	1003-1	
100303 On-The-Job or Familiarization Training	1003-3	
100304 Observer Training	1003-3	
100305 Mobile Training Teams	1003-3	
100306 Field Training Services	1003-5	
100307 Orientation Tours	1003-6	
100308 Reciprocal Exchange Training	1003-7	
Section 1004 - Student Administration	1004-1	
100401 Invitational Travel Orders for IMS, DD Form 2285	1004-1	
100402 Security and Classified Items	1004-1	
100403 Civilian Commissary and Exchange Privileges	1004-1	
100404 Student Medical Screening	1004-1	
100405 Uniforms and Personal Clothing	1004-2	
100406 Visits to Canada and Mexico	1004-2	
100407 Dependents of Students	1004-2	
100408 IMS and Dependent Employment	1004-2	
100409 Disposition of IMS in Event of Emergency	1004-2	
100410 Political Asylum and Temporary Refuge	1004-2	
100411 Instructional Course Materials	1004-2	
100412 Country Liaison Personnel	1004-3	
100413 Leave or Leave Extensions (IMET Only)	1004-3	
Section 1005 - Positions of Prominence Report	1005-1	
100501 PPR for Former Students	1005-1	
100502 Description of Military Ranks for Reporting Purposes	1005-1	
100503 Description of Civilian Ranks for Reporting Purposes	1005-1	
100504 Data Format	1005-1	
100505 Reporting Period and Timing	1005-1	

Chapter Eleven--Military Assistance Program (MAP)

Section 1100 - Use of MAP Funds to Finance	1100-1
Foreign Military Sales	1100-1
110001 Grant Aid (MAP) Funding	
Section 1101 - Use and Disposal of MAP Materiel	1101-1
110101 General	1101-1
110102 Legal Limitations and Related Policy Provisions	1101-1
110103 SAO Action	1101-2
110104 MILDEP/Defense Agency Disposal	1101-3
110105 DoS Disposal Approval	1101-4
110106 Packing, Crating, Handling & Transportation	1101-4
Section 1102 - Section 506 Special Authority	1102-1
110201 Purpose	1102-1
110202 Section 506(A)	1102-1
110203 Section 506(B)	1102-2
110204 Section 506(C)	1102-2

Chapter Twelve--Leases and Loans of Defense Articles

Section 1200 - Leases	1200-1	
120001 Authority and Purpose	1200-1	**
120002 Lease Terms and Conditions	1200-2	**
120003 Coordination	1200-3	**
120004 Congressional Notification	1200-3	**
120005 Financial Arrangements	1200-4	
120006 Lease Closure	1200-5	
120007 Reporting	1200-5	
120008 U.S. Navy Ships	1200-5	
Section 1201 - Loans of Defense Articles	1201-1	
120101 Section 503 Loans	1201-1	
120102 Loans for Research and Development Purposes	1201-1	

Chapter Thirteen--Financial Principles and Procedures

Section 1300 - General	1300-1
130001 Purpose	1300-1
Section 1301 - Legal Background, Responsibilities and Principles	1301-1
130101 Legal Background	1301-1
130102 Full Recovery of Costs	1301-1
130103 Responsibilities	1301-1
130104 Basic Principles	1301-1
Section 1302 - Budget Authority	1302-1
130201 Budgetary Authority for FMS Orders	1302-1
130202 Security Assistance Budgets	1302-1

Section 1303 - Accounting	1303-1
130301 Financial Administration of the FMS Program	1303-1
130302 Audits and Inspections	1303-1
130303 DSAA Financial Management Review Program	1303-5
130304 C-12 Management	1303-6
Section 1304 - Cash Management	1304-1
130401 Financial Annex to the DD Form 1513	1304-1
130402 Collection of FMS Payments	1304-5
130403 Disbursement Authority for FMS Agreements	1304-6
130404 Accounting for Contractual Progress Payments	1304-7
Section 1305 - Budget Execution	1305-1
130501 Reports	1305-1
130502 Case Reconciliation	1305-1
130503 FMS Case Closure	1305-2
130504 DOD Executive FMS Reconciliation and Case Closure Board	1305-2
Section 1306 - Case Files	1306-1
130601 General FMS Case Files	1306-1
130602 Disbursement Documentation	1306-1
Section 1307 - Pricing of FMS Transactions	1307-1
130701 General	1307-1
130702 Training	1307-1
130703 Articles From Stock	1307-2
130704 Articles From Procurement	1307-3
130705 Authorized Charges	1307-4
Section 1308 - Performance Reporting	1308-1
130801 Performance Reporting/Billing	1308-1
130802 Financing RODs When the USG is Liable.	1308-2
130803 Address of the Central Collection and Billing Office	1308-3
Section 1309 - Delinquent Accounts for FMS Billing	1309-1
130901 Provisions of Financial Annex to LOA	1309-1
130902 Late Payment Causes	1309-1
130903 SAAC Responsibilities for Collection	1309-1
130904 Further Action on Delinquent Accounts	1309-1
130905 SAAC Holds Accounting Records After Transfer of Action to State Department	1309-1
130906 Reporting Formats and Frequencies	1309-2
130907 Interest Assessment on Delinquent Debts	1309-2

Chapter Fourteen--Special Programs and Activities

Section 1400 - Special Defense Acquisition Fund	1400-1
140001 Authority and Purpose	1400-1
140002 Management	1400-1
140003 Funding	1400-2
140004 Overview of Operations	1400-2
140005 Procurement Criteria	1400-3
140006 Program Implementation	1400-4

140007 Sales to the SDAF (Buy-In)	1400-5
140008 Inventory Control and Reporting	1400-6
140009 Pricing Sales From the SDAF (Sell-Out)	1400-6
140010 FMS Sales of SDAF Items	1400-7
140011 SDAF Delivery Reporting	1400-8
140012 Equipment Loans	1400-9
140013 Reporting	1400-9

Section 1401 - Foreign Manufacture of U.S. Defense Equipment 1401-1

140101 Purpose	1401-1
140102 Background and Scope	1401-1
140103 Authority to Negotiate and Sign International Agreements	1401-1
140104 Principles Regarding Coproduction Policy	1401-2
140105 Security Assistance Coproduction Agreements	1401-4
140106 Cooperative Projects Under the AECA, Section 22	1401-10
140107 Requests for Offset Procurement	1401-14
140108 Release of Technical Data	1401-15
140109 Royalty Fee Management	1401-23

**

Chapter Fifteen--DSAA Management Information Systems

Section 1500 - DSAA 1200 Foreign Military Sales (FMS)

System Overview, Guidance, and Data Submission Instructions 1500-1

150001 Purpose	1500-1
150002 Description of the Foreign Military and Construction Sales Information System	1500-1
150003 Reporting Frequency	1500-2
150004 Data Base Updates	1500-3
150005 Preparation and Submission of Data Input for The DSAA 1200 System	1500-3

Section 1501 - DSAA 1200 Foreign Military Sales (FMS)

System Output Products 1501-1

150101 Purpose	1501-1
150102 Source of Output Reports	1501-1
150103 Categories of DSAA 1200 System Output Reports	1501-1
150104 Requests for DSAA 1200 System Output Reports	1501-1
150105 DSAA 1200 System Output Reports	1501-1
150106 Abbreviated Titles Used in DSAA 1200 System Output Products/Reports	1501-4

Section 1502 - DSAA 1000 Materiel and Training System, Overview, Data Submission Instructions, and Reports

1502-1

150201 Purpose	1502-1
150202 System Description	1502-1
150203 DSAA 1000 System Reports	1502-1
150204 Data Preparation and Submission	1502-2

Section 1503 - MASL, Overview, Guidance Data Submission Instructions, and System Output Products	1503-1
150301 Purpose	1503-1
150302 General	1503-1
150303 MASL Content	1503-2
150304 MASL Relationships to DSAA Program Data	1503-7
150305 MASL Distribution	1503-8
150306 Inquiries on MASL Content	1503-8
150307 MASL Data Submission	1503-9
150308 Data Submission Instructions and Formats	1503-9
 Section 1504 - SA Network	 1504-1
150401 Purpose	1504-1
150402 Definition and Objectives	1504-1
150403 Policies and Procedures	1504-1
150404 Responsibilities	1504-3
 APPENDIX A - ABBREVIATIONS AND ACRONYMS	 A-1
 APPENDIX B - GLOSSARY OF SELECTED TERMS	 B-1
 APPENDIX C - DOD DIRECTIVES, INSTRUCTIONS, AND MANUALS	 C-1
 APPENDIX D - DSAA INFORMATION SYSTEMS DATA ELEMENT DICTIONARY	 D-1
A. Purpose	D-1
B. Description	D-1
C. Alphabetic List of Codes with Definitions	D-1
Table D-1 - Action Code - 1000 System	D-19
Table D-2 - Commitment Code - 1000 System	D-21
Table D-3 - Condition Code - 1000 System	D-22
Table D-4 - Cost Code - 1000 System	D-23
Table D-5 - Country/Organization Code - Alphabetic	D-24
Table D-6 - Footnote Code - MASL	D-25
Table D-7 - Generic Codes - All Systems	D-27
Table D-8 - MAP Element Code - 1000 System	D-52
Table D-9 - Source of Supply Code - 1000 System	D-56
Table D-10 - Status Code - 1200 System	D-58
Table D-11 - Type of Assistance Code - 1000 System	D-60
Table D-12 - Unit of Issue Code - All Systems	D-61
Table D-13 - MILDEP Execution Agency Identifier Codes	D-64
Table D-14 - Training Analysis Codes	D-69
Table D-15 - Training Program Card Formats	D-72
Table D-16 - First Position of LOA Designator	D-73

**

APPENDIX E - CONGRESSIONAL REPORTS INVENTORY AND DSAA REPORTS CONTROL SYSTEM

A. Purpose	E-1
B. Congressional Reports Inventory	E-1
C. DSAA Reports Control System	E-1
D. Reporting Instructions	E-1
Table E-1 - Price and Availability Report (RCS: DSAA(Q) 1138)	E-4
Table E-2 - Report of EDA Sold Under Foreign Military Sales	E-5
Table E-3 - Reserved for Future Use	E-6
Table E-4 - DSAA Reports Control System	E-7
Table E-5 - Instructions for Preparation of DSAA Reports Control Form	E-8
Table E-6 - Statutory Reports to Congress Submitted by DOD on Security Assistance	E-10
Table E-7 - Current Reporting Requirements Under DSAA Reports Control System	E-19

APPENDIX F - TRANSPORTATION COST LOOK-UP TABLE

A. Purpose	F-1
B. Procedures	F-1
C. Transportation Cost Look-Up Table	F-2
Table F-1 - CONUS Transportation Costs	F-3
Table F-2 - Overseas Transportation Costs	F-4
Table F-3 - Transportation Cost Look-Up Table	F-5 **

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d. Declared the sense of the Congress that all such sales be approved only when they are consistent with US foreign policy interests.

B. Materiel Transfer Policy.

1. **Use of FAR and DoD FAR Supplement.** When procuring for a foreign government, DoD will apply the same contract clauses and contract administration as it would use in procuring for itself, except where deviations are authorized in the DoD FAR Supplement. If a sole source procurement requested by a foreign government appears to be motivated by objectives in conflict with this requirement or with any US legislation, the request must be forwarded to the DSAA, which may forward the request to the Department of State for consideration. No LOA in such cases will be issued without approval of the Director, DSAA.

2. **EMCS.** In addition to sales of defense items and defense services, the DoD may sell design and construction services to eligible foreign countries or international organizations (AECA, Sec. 29). Such sales are treated as AECA sales, but in a separate category from FMS.

3. **Proper Use of Materiel.** Consistent with its resources and the situation prevailing in country, the designated US SAO is responsible for supervising and reporting on the utilization by the foreign country of defense articles and services acquired through FMS or leased to the recipient by the DoD.

4. **Diversion of Materiel.** DoD policy calls for a determination to be made that the sale of a defense item will not degrade US defense efforts by taking needed equipment from US stocks (withdrawals), or by disrupting deliveries of critical items from production for US forces (diversions), unless security or foreign policy requirements are such that sale of the item is in the overall US national interest.

5. **Insurance.** Purchasers will self-insure FMS shipments or obtain commercial insurance without any right of subrogation of any claim against the United States. In extraordinary situations, and upon specific request by the Purchaser and receipt of written authorization from the Purchaser for the designated departmental procurement activity to act as the agent of the Purchaser to obtain pricing quotes and, if necessary, procure the insurance required, insurance may be obtained by the IA and billed as a separate LOA line item. For FMS cases already implemented, authorized insurance coverage can be added by amendment. Whenever an IA does provide these services to a purchasing country or organization, it should obtain insurance from a US insurance firm if possible, and in any event it should point out that this is an exceptional arrangement, and should encourage and assist the Purchaser to make its own arrangements for insurance for subsequent cases.

6. **Delivery Commitments.** The availability data set forth in FMS cases which have been properly accepted and funded by the purchasing country or international organization constitute commitments by the US. Fulfillment of these commitments is an important measure of the good faith of the US in dealing with its friends and allies. Accordingly, all DoD components shall assure that FMS delivery commitments are fully coordinated, and that the material conforms to the standards on the LOA, and can be delivered in the agreed time period. Cases where proposed sales involve the delivery of major equipment which is in relatively short supply, or in less than procurement lead time, or which the IA determines to be in conflict with US requirements, shall be referred promptly to the DSAA. In this matter, early awareness of foreign requirements which generate production or delivery conflicts will enable DoD to establish the most favorably attainable delivery schedule.

7. **Materiel Standards.** It is DoD policy that defense articles should reflect ** favorably on the United States.

a. Defense articles offered and sold under FMS will normally be new or unused or, as a result of rehabilitation, possess original appearance insofar as possible and, as a minimum, have serviceability standards prescribed for issue to US forces. If the customer country desires exclusively new end items of equipment, the requirement will be stated in the LOA. If the customer wishes to purchase "as is" (no assurance of serviceability), this will also be stated in the LOA.

b. In addition to full disclosure of item condition, best efforts will be applied to inform Purchaser of unusual safety or environmental risks known at the time of sale. This information will be included in the LOA with reference to separate publications or correspondence as appropriate.

8. **Procurement in Foreign Countries.** Unless dictated by overriding logistics considerations approved by the SecDef, the DoD will not enter into sales arrangements which entail commitments for DoD procurement in foreign countries.

C. **Financial Management.**

1. **Recovery of Cost.** The FMS program must be managed at no cost to the USG (with certain exceptions specifically covered by law), while insuring prompt and complete service to the customer. This requires a thorough understanding of procedures for pricing items or services furnished, administering FMS cases, and reporting of deliveries of materiel or services. The LOA agreement makes it mandatory for the Purchaser to pay for the full value of the transaction, regardless of terms of sale specified for the individual case.

2. **Payment in US Dollars.** Sales may be made under FMS only if the eligible Purchaser agrees to pay in US dollars (AECA Secs 21 and 22). Payment in kind (barter) is authorized by Section 21(h) AECA under the limited circumstances specified therein.

3. **Credits.**

a. **Use of Credit for Essential Items.** Credit and credit guaranties under the AECA will be used only to assist countries in acquiring essential items which cannot reasonably be financed by other means and normally will be used only to finance investment requirements.

b. **Use of Concessionary Credit Terms.** Concessionary credit terms (i.e., interest rates less than cost of money to the USG) will be granted only when determined by the President (Sec 23, AECA).

c. **Repayment of Credit.** FMS credits must be repaid in US dollars within 12 years after the loan agreement has been signed on behalf of the USG (Sec 23, AECA), unless otherwise provided for by US law.

d. **Use of Credit Payments.** Cash received from FMS and from repayments of FMS credits shall not be used for financing new credits or guaranties (Sec 37, AECA).

e. **Commercial Air Travel.** US military and DoD civilian officials and employees who travel to and from a foreign country on SA business, whether the travel is financed by FMS administrative or case funds, must use the same commercial air carrier, class of service, and routing that the transportation officer requires of other DoD travelers. Waivers from the normal travel procedures shall be granted SA travelers on the same basis and in the same manner as provided for DoD personnel traveling on regular defense business.

I. Incendiary Items, White Phosphorous, and Riot Control Agents. The following is USG policy regarding the sale of these items:

1. Napalm, including napalm thickener, dispensers, and fuses will not be provided through FMS or on a commercial basis.

2. Requests for white phosphorus munitions should be submitted in accordance with the procedures established for SME (Section 700). Requests should indicate, by type of ammunition requested, the quantity and intended use of the ammunition. Requests should be accompanied by the US mission's opinions as to whether the amount requested is reasonable in relation to the intended use, current on-hand inventories, and predictable usage rates of such items; and requests must also contain assurance from the host government that the white phosphorus munitions will be used only for purposes such as signalling and smoke screening. DSAA will be responsible for coordinating approval of the request. Upon approval, DSAA will advise the cognizant DoD component of the approval along with the conditions for its use which will be made a part of the LOA.

3. Riot control agents may not be provided via FMS, but certain types are available on a commercial basis. Such proposed commercial sales require that an export license be obtained from the DoS, Office of Defense Trade Controls.

J. Section 527, Foreign Operations, Export Financing, and Related Programs Appropriations Act, FY94 continues the prohibition on sale of M-833 depleted uranium ammunition and comparable anti-tank rounds except to NATO member countries, major non-NATO allies, Taiwan, and countries for which a Presidential national security interest determination has been completed.

K. Section 532, Foreign Operations, Export Financing, and Related Programs Appropriations Act, FY94 continues the prohibition on provision of Stinger to countries bordering * the Persian Gulf (Iraq, Iran, Kuwait, Saudi Arabia, Qatar, United Arab Emirates, and Oman). Based on a Presidential Determination and other specific circumstances discussed in Section 581, Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1990/PL 101-167, this prohibition does not apply to Bahrain's one-for-one purchase of replacement missiles.

L. Section 1094 of the Defense Authorization Act of 1994 extends the moratorium on sale, transfer, or assistance with respect to the provision of anti-personnel landmines.

20302 SHIP TRANSFERS.

A. Vessels 20 years old or more and no more than 3,000 tons (light load displacement) or less may be transferred after 30 continuous days of the date that the USN notifies Congress of its intent to make the transfer. Naval vessels less than 20 years old or more than 3,000 tons may be transferred only after enactment of specified legislation authorizing the transfer. These criteria and Congressional oversight provisions are prescribed by 10 USC 7307.

B. Regardless of the method of transfer (sale or lease) the foreign government will normally pay all costs incidental to the transfer.

C. Leasing of ships must be in accordance with AECA Chapter 6 unless otherwise expressly authorized by separate legislation. Such leasing is reserved for exceptions where a sale is not feasible.

D. Ship transfer and approval procedures:

1. The foreign government normally requests P&A, followed by a formal request for transfer expressed in diplomatic notes. The latter is a prerequisite to Congressional notification under the AECA for a lease, and to submitting notification to the Congress or requesting authorizing legislation under 10 USC 7307.

2. Ship transfers are coordinated by the Director, Navy IPO. DSAA coordinates all transfers within OSD and with DoS. DSAA ensures compliance with statutory notification and authorizing legislation requirements. The Navy prescribes policies and procedures for ship transfers in SECNAV Instruction 4900.48 series.

3. Navy IPO submits each request for sale to the Director, DSAA. This takes the form of either a draft Congressional notification letter or a draft ship transfer bill, pursuant to 10 USC 7307. Each request will include a statement of approval from the Secretary of the Navy or his designee.

4. Lease procedures are found in Chapter 12. Leases entered into under the authority of specific legislation (per 10 USC 7307) will be coordinated and staffed on a case-by-case basis. Director, DSAA, will coordinate all ship lease requests and advise Navy IPO of approval or disapproval. If approved, Navy IPO may offer the ship to the requesting country concerned, when statutory notification or legislative authorization requirements have been met.

20303 SECURITY NOTES RELATED TO MAN-PORTABLE AIR DEFENSE SYSTEMS SALES.

A. The following notes should apply to sales to NATO, NATO Nations, Japan, Australia, and New Zealand:

"Purchaser agrees to adhere to the following additional security requirements associated with MANPADS. Modification of specified requirements to meet indigenous conditions may be approved by the Office of the Deputy Chief of Staff for Operations and Plans (DAMO-ODL-S), US Army.

1. **Physical Security:** The (insert appropriate missile) will be stored in magazines that are at least equivalent in strength to US Army requirements as specified in subparagraph (a) below. The Purchaser also agrees to comply with US Army specified requirements for lighting, doors, locks, keys, fencing, surveillance, and guard systems. Specific requirements will be agreed upon and installed prior to delivery of the missile system. US Army representatives will be allowed to verify security measures and procedures established for implementation of these requirements.

a. **Magazines:** Reinforced concrete, arch type, earth covered whose construction is at least equivalent in strength to the requirements of Chapter 5, Department of Defense Manual 6055.9 - STD, *Ammunition and Explosive Safety Standards*, July 1984, will be used for storage (standards of which will be provided to the Purchaser).

b. **Lighting:** Lighting will be provided for exterior doors and along perimeter barriers. Security lighting requirements will conform to the ammunition and safety requirements of Appendix C, US Army Technical Manual 9-1300-206 (standards of which will be provided to the Purchaser).

c. **Doors, Locks, and Keys:** Exterior doors will be class five steel vault doors secured by two key-operated high security padlocks and a high security shrouded

c. The US Government will be notified of deployments through the Security Assistance Organization."

C. The DoS will ensure that transfers of MANPADS under FAA Sec 506(a) include the security requirements as previously mentioned in this paragraph.

D. The following procedures apply after an LOA for the purchase of a MANPADS has been accepted by a foreign government or if MANPADS are provided under the authority of Section 506(a).

1. The US Army will provide a copy of the LOA to the in-country SAO.
2. US Army personnel will inspect the physical security arrangements prior to the delivery of the first shipment of MANPADs to ensure that security meets US requirements.
3. The US Army will notify the SAO when delivery of the missiles has begun; serial numbers will be provided to the SAO for missiles received by the foreign government.
4. The STINGER system and all its variants shall be accounted for by verifying receipt of the gripstock and missile.
5. The SAO will arrange with the purchasing government to verify by serial number receipt in country of the missiles. The first annual physical inventory should occur after the US Army notifies the applicable SAO of final delivery of missiles. Yearly requirements for US inspection and inventory will begin from that date.
6. Except for missiles deployed to hostile areas, the SAO must physically inventory all MANPADS by serial number. This requirement cannot be satisfied by the foreign government, or through a review of host nation records. **
 - a. Inventory will consist of 100 percent comparison of serial numbers on missile containers and lists discussed in D.3. above. At least five percent of those containers, selected to ensure an accurate sample of all country inventory, will be opened to ensure container and missile serial numbers correspond.
 - b. The CINC may determine, based on assessment of the threat to security of missiles in the area, if a percentage of missiles higher than five percent should be sampled.
 - c. For MANPADS obtained through foreign coproduction or manufacture, the inventory requirements imposed by the MOU and any implementing instructions will govern, subject to clarification in a. and b. above.
7. The SAO must, at least once a year, randomly review the recipient government's records of monthly, two-man verifications.
8. A report of the SAO findings shall be sent to DSAA-OPS and US Army (USASAC), with an information copy to the applicable Unified Command.

20304 SUSPENSIONS AND CANCELLATIONS OF SECURITY ASSISTANCE.

A. If DoS determines that it is necessary to suspend security assistance to a particular country, the Director, DSAA, will issue instructions to the SA program IAs. The following procedures normally will be employed:

1. All deliveries of defense articles to the embargoed country will be stopped immediately. No release of new LOAs will be made. No materiel will be released to the country's freight forwarder or to the country. There should be no new contracting actions for an embargoed country; on-going contracting actions should be suspended.

2. If procurements have been started, but contracts have not been awarded, the IA should inform DSAA of the details and ask for guidance.

3. Normally, contracts that have been awarded should continue. However, DSAA should be informed when deliveries are ready to be made so that the possible diversion of the materiel to another country, or to a DoD component, or to storage can be decided. The Director, DSAA, will issue appropriate instructions once the decision is made.

4. Shipments of defense articles, where the materiel is under USG control, will not be loaded at the ports of embarkation. Materiel already enroute to the country will not be delivered; it will be retained under USG control. Defense articles that fit these categories should be stored by the appropriate DoD component using the most economical storage until further DSAA instructions arrive.

5. Materiel ready for shipment from a contractor should be shipped to an appropriate DoD facility for segregated storage until DSAA disposition instructions arrive. Arrangements for storage at the contractor's facility may be made if that is the most economical storage.

6. Requisitions submitted against either a CLSSA or a blanket order FMS case will be held by the receiver. Requisitions from an embargoed country will not be filled.

7. With regard to training funded through an FMS case or under IMET, students in training before the suspension date notification may complete their course. Sequential training (proceeding to the next scheduled course) is excluded unless specifically authorized by the Director, DSAA. Students who have not started training by the suspension date will not begin a course. Instructions on what to do with students from embargoed countries will be provided by the DSAA (also see 100120.G.).

8. Within ten days of a suspension notification, the IA will advise DSAA of the impact of the suspension. This should include the identification of major items and significant secondary items that are within the DTS and which are scheduled for release to the embargoed country within 30 days, and those items that are on order but which have not been shipped. As soon as possible and not later than 21 days after the suspension, DSAA should be advised of all other materiel that is either enroute, scheduled for shipment within 30 days, or on order but unshipped. The latter report should also identify the total unused dollar value on blanket order and CLSSA (FMSO II) cases.

B. Suspension of delivery is not the same as FMS case cancellation or contract termination action. DoS may extend a suspension to become a cancellation in accordance with AECA Secs 2(b) and 42(e). If State makes this decision, case cancellation and contract termination will be directed by DSAA. Specific guidance about disposition of items, funding, etc., will be provided after a case-by-case review.

C. DoS has responsibility for issuing instructions with respect to revoking and refusing to issue export licenses and will deal directly with foreign government representatives in cases where title has passed to the Purchaser but which may be in storage or in transit within the United States.

TABLE OF CONTENTS

CHAPTER FOUR

**

SECURITY ASSISTANCE PLANNING

	Page
Section 400 - General	400-1
40001 Purpose and Scope	400-1
40002 Policy	400-1
40003 General	400-1
40004 Responsibilities	400-1
40005 Planning Considerations	400-1
40006 Planning Activities and Tools	400-2
40007 Security Assistance in Wartime	400-3
Table 400-1 - Security Assistance Survey Teams	400-5

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CHAPTER FOUR

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SECURITY ASSISTANCE PLANNING

Section 400 - General

40001 PURPOSE AND SCOPE. The purpose of this chapter is to discuss the SA planning process, where it fits into the national security planning process, and its importance in US cooperative security efforts with foreign countries.

40002 POLICY. DoD SA planning activities must be in consonance with US military strategic plans and objectives and policy guidance issued by the SecDef and the SecState (DoDD 5132.3).

40003 GENERAL.

A. Plans are intended to accomplish a common objective, normally within a given time and space (JCS Pub. 1).

B. SA programs support US national security and foreign policy objectives. SA programs increase the ability of our friends and allies to deter and defend against possible aggression, to promote the shouldering of the common defense burden, and to foster regional stability.

C. Long-range SA planning is intended to assist friendly and allied governments to identify and assess military capabilities and requirements, to provide justification for scarce USG SA funding, and to provide orderly program implementation. The transfer of end-items is accompanied by the necessary planning of follow-on support and other elements of continuity. The reliability of the US on a long-term basis depends on this "total package approach."

D. Involvement of a friendly government in SA planning and programing normally entails the release of essential information and data (see Section 50203).

40004 RESPONSIBILITIES. The following shows principal planning agencies, primary responsibilities for SA planning, and the corresponding document outlining those responsibilities:

A. **Security Assistance Offices.** "Evaluation and planning of the host government's military capabilities and requirements" (FAA Sec 515(a))

B. **Unified Commands.** "Provide to the JCS a military assessment and impact upon SA programs within their respective areas of responsibility" (DoDD 5132.3)

C. **The Joint Staff.** "Coordinate SA with military plans and programs and provide the SecDef with military advice concerning SA programs, actions, and activities" (DoDD 5132.3)

D. **Defense Security Assistance Agency.** Direct, administer, and supervise the execution of SA programs (DoDD 5105.38)

40005 PLANNING CONSIDERATIONS

A. SA planning is at times complex, but must remain adaptive and flexible to ensure that security assistance is a valuable tool of US national security and foreign policy objectives.

B. Friendly governments have the fundamental responsibility to determine and plan their own security objectives.

C. SA planning differs from the DoD FYDP and planning program budget system. This is because the USG does not promote defense sales (except in rare instances), financing is obtained on a year-to-year basis, and funding is usually not assured for the long term. The USG does not plan for countries; friendly governments shall do their own planning based on their respective security priorities. The level of planning capability varies from country-to-country; the more sophisticated the planning in a country, the less likely the country is to make the USG privy to its plans. Lastly, crises, conflicts, and other events frequently intervene to change directions in programs and overall financing options. Within these limits, some estimates of needs and priorities can be made, and every effort must be made to anticipate the shape of the future without expecting it will result in a definitive SA plan.

D. Discussions and communications between DoD representatives and foreign governmental officials incidental to the development of plans, programs, and related data shall be conducted in such a way as to ensure mutual understanding that such discussions or communications do not constitute or imply any commitment on the part of the US (DoDD 2100.2).

E. SA plans shall take into consideration the economic capabilities of the respective foreign government, the support provided by third parties, and the overall US conventional arms transfer policy and respective regional conventional arms transfer policies. Except for overriding military considerations, the build-up of military forces that the prospective recipient country ultimately cannot support shall be discouraged. In providing SA to less developed countries, emphasis shall be placed on the development of their capabilities to organize, employ, and manage national resources allocated to defense.

F. A friendly government needs assessment is critical to the establishment of any long-range SA plan. The assessment is generally a list of items the country team believes is necessary for the maintenance of the country's defense needs.

40006 PLANNING ACTIVITIES AND TOOLS. SA planning is important to both USG-funded programs and to country-financed (cash) sales. Several planning tools already exist:

A. **Fiscal Year Planning Assessment (FYPA).** The single most important planning instrument for USG-funded programs is the FYPA which is prepared by the country team, normally with the SAO as the focal point. The FYPA provides certain information required as part of the federal budget development process. If the annual FYPA submission is to have strong impact, it must be timely and complete. Subsequent to submission of the FYPA to DoS, and the completion of initial staffing, the Security Assistance Planning and Review Working Group (SAPRWG) may meet to review the SA programs for the budget year. After this staff effort, formal interagency coordination (which includes the Department of Defense) takes place before DoS submits the budget to OMB. If DoS and OMB disagree, resolution of issues may take place in the White House Budget Review Board. The final SA budget for the upcoming fiscal year is presented in detail and justified to the Congress in the annual Congressional Presentation Document (CPD). The CPD is required by law to be presented to the Congress by 1 February each year.

B. **The Javits Report (AECA Sec 25(a)).** On or before 1 February of each year, the President shall transmit to Congress the annual "Arms Sales Proposal" covering all sales, including USG-funded and cash FMS and licensed commercial exports of major weapons or weapons-related defense equipment for \$7M or more, or of any other weapons-related defense equipment for \$25M or more, which are considered eligible for approval during the next fiscal year (see Table E-6).

C. **Security Assistance Survey Teams (AECA Sec 26).** Teams consisting of USG personnel, along with host country, commercial contractor, or other representatives, conduct surveys in a country, as requested by the country. These teams (Table 400-1) review country military capabilities and deficiencies, generally or in a specific area, and make recommendations to meet SA objectives. These include defense requirements surveys, site surveys, general surveys or studies, and engineering assessment surveys. Funding is discussed in Section 702. Logistics conferences for program definitization, as discussed in Section 701, are excluded. A comprehensive survey of a country's military capabilities may be requested at the time a new program is initiated in order to provide a baseline for program development. More often, surveys are conducted in the context of ongoing programs to address specific needs.

D. **Annual Legislative Initiatives.** Each year DSAA solicits input from the MILDEPs and UCOMs, through the Joint Staff, regarding the upcoming year's SA legislative initiatives. These initiatives are reviewed for submission within the Administration's proposed annual foreign aid and defense legislation. DSAA forwards its legislative proposals to the DoD General Counsel or DoS, as appropriate, for departmental and interagency coordination. The DoD General Counsel or DoS then submits the initiatives to OMB for approval prior to their being sent to the Congress.

E. **Materiel Notices.** These notices inform countries of events which will have an impact on their ability to acquire or support an item through FMS. They normally call for submission of an LOR to ensure an ability to acquire items or associated support.

1. IAs may consider preparation of notice messages or letters under conditions such as when US production for the items is scheduled to end (for support items, see Section 80204) or the US is making a periodic buy of items for which there may be foreign demand.

2. Notices will be disseminated only to those countries that have previously shown an interest in the items. Interest might include purchase, request for P&A data or an LOA for which data have been released, or purchase of weapon systems which utilize the items. IAs will assure that countries addressed on the notices are eligible to purchase the items under the NDP. Notices will be coordinated with DSAA (which will in turn coordinate with DoS) prior to dispatch.

3. Notices initially will be developed within the respective MILDEP. The MILDEP will coordinate proposed notices with other involved DoD Components and then with DSAA prior to dispatch. Notice correspondence must include rationale for issuing the notification, the final date for receipt of an LOR, and the final date for acceptance of the LOA.

40007 SECURITY ASSISTANCE IN WARTIME. Under normal FMS procedures, the USG is precluded from making commitments which would extend into wartime. The US will continue SA programs to the extent that US national security requirements permit.

A. The following AECA Sec 42(e)(1) provision is contained in each LOA: Each contract for sale entered into under Secs 21, 22, 29, and 30 of this Act, and each contract entered into under Sec 27(d) of this Act, shall provide that such contract may be canceled in whole or in part, or its execution suspended, by the United States at any time under unusual or compelling circumstances if the national interest so requires.

B. While FMS arrangements may be canceled in certain situations, it is normally in the US interest to continue some or all of the arrangements. Assets may not be sufficient to meet all requirements. Outlined below are some of the considerations and a summary of possible alternatives.

1. In most situations, SA programs will continue. They may increase for some countries directly involved in the emergency.

2. DSAA, through the IAs, will identify materiel in the FMS pipeline and the Director, DSAA, in consultation with the Joint Staff, will reallocate this materiel among FMS countries. The Joint Staff will consult with the combatant commands as necessary.

3. Assets may be allocated between US and FMS requirements based on the level of conflict and other pertinent factors.

4. The Joint Staff Joint Materiel Priorities and Allocation Board (JMPAB) may review requirements based on MILDEP/UCOM input and recommend to the SecDef a worldwide Allocation Plan. At some point, the US and the FMS logistics flow may be merged into a single pipeline allocated to the theater by the JMPAB. Within the theater, the UCOM may allocate to US, allied, and friendly forces.

5. A Presidential Determination might be proposed to exercise emergency authorities; for example, waiver of AECA Sec 36(b) pre-sale notification requirements or authority to bill after delivery (AECA Sec 21(d)).

6. After consultation between DoS and DoD, emergency legislation might be presented to Congress to meet the needs of the situation; for example, modification of Congressional reporting requirements or a supplemental SA funding request.

C. Each country should evaluate its own needs, stock more critical items if it deems this to be necessary to reduce its risk during time of war, keep open the mechanism for expedited supply by keeping blanket order and CLSSA cases active, and unilaterally develop contingency plans to the Minimum Essential Security Assistance Requirements (MESAR) level in order to process orders quickly through those cases in an emergency.

TABLE 400-1

SECURITY ASSISTANCE SURVEY TEAMS
(Under AECA Sec 26)**I. GENERAL**

A. OASD(ISA) coordinates DoD actions relating to surveys to assess country or international organization capabilities and to identify future needs. This includes the required interface with DoS, ACDA, and other agencies. Survey actions, including personnel details, also are coordinated with the Joint Staff and DSAA.

B. The decision to dispatch a survey team will include an assessment of US and country impact of funding the program for which the survey is being conducted, the program's regional arms control implications, interface with current arms sales policies, and pertinent data beyond strictly military considerations, such as human rights factors. This information will be reflected in the Terms of Reference (TOR) developed by the combatant command/lead agency and provided to the team.

C. Teams normally will be led by DoD, with DoS invited to provide a deputy team chief of roughly comparable rank. MILDEP affiliation shall be determined by the purpose of the survey. For surveys to meet a requirement rather than to evaluate overall capabilities, the lead agency will be identified during initial staffing of the requirement. When a joint team is required, the team chief will be determined on the basis of the MILDEP having predominant interest. DoD participation shall be limited to the minimum number required to gather effectively the technical information necessary to ensure the success of the information-gathering effort. The SecState will have final authority to rule on the participation on the survey team by agencies other than DoD, although these decisions normally are reached by DoD/DoS consensus. Concerns of other agencies will be carefully considered in determining team composition.

D. DSAA, based on AECA Sec 26(b), and as part of the overall AECA Sec 36(a) quarterly report to Congress, will include a list of SA Surveys authorized during the preceding calendar quarter. The report will include the following information: Country surveyed, dates of survey, purpose of survey, and number of USG personnel participating.

1. The lead MILDEP is responsible for submitting the report to DSAA/OPS not later than 30 days after the end of each quarter. The report will identify SA Surveys conducted during the preceding quarter. Negative replies are required.

2. DSAA will review each submission and provide a consolidated report with the quarterly report to Congress.

TABLE 400-1. Security Assistance Survey Teams (Pg 1 of 4)

E. Necessary staffing should be accomplished before finalization of survey reports to ensure that each report reflects a coordinated USG position. Coordination with DSAA is required for each draft survey report within 30 days of its preparation. Consistent with AECA Sec 26(c), individual survey reports should not be provided to Congress unless a specific request is received. The lead MILDEP should ensure that a copy of each such request is forwarded to the Director, DSAA, for submission to Congress.

II. GENERAL TERMS OF REFERENCE

A. Teams:

1. Will report to the US Ambassador or, in his/her absence, the charge d'affaires upon arrival in country and will serve under the overall supervision of the Ambassador. Formal consultations with the host country will be conducted subject to the concurrence of the Ambassador, with the participation of such embassy staff as s/he may direct (the SAO office is normally the coordination office within the mission). Prior to departure, the team will brief the Ambassador as well as the SAO office on its preliminary conclusions. Additionally, the team will consider, on a case-by-case basis, whether its evaluation warrants leaving an interim report with the host country upon departure.

2. Will ensure recommendations reflect the total package concept including end-items, ancillary equipment, training, and logistics. Recommendations should not necessarily be based on US force solutions. At least three levels of funding alternatives should be presented in the report.

3. Should evaluate the military manpower base, its capacity, the existing logistics support capability, the capability of the country to prevent compromise of sensitive data and equipment, training requirements, and compatibility of recommended equipment with that currently in the host country inventory.

4. Will debrief the respective combatant command on preliminary findings prior to its return to the US.

B. Teams should avoid:

1. Making comments to host governments concerning possible availability of USG resources in any form.

2. Providing the host government any P&A data, DoD lead times on equipment, or indicate any prospects for accelerated deliveries. The team, however, may provide general orders of magnitude information concerning P&A for illustrative purposes. Firm estimates can be provided only through normal channels and only in response to specific requests conveyed through the US Embassy, not through the survey team.

3. Committing the USG to the sale of any specific defense article or service.

4. Providing any possible indication that the USG would assist in construction of airfields, camps, or other military facilities.

5. Providing any kind of independent assessment or confirmation of the external threat as perceived by the host country. Release of classified information will be in accordance with NDP-1.

6. Providing military advice concerning tactics, doctrine, basing, combat planning, or operations.

7. Making commitments to follow-up technical discussion or further surveys.

8. Except as discussed in II.A.1 above, providing the host country with an interim report.

III. SECURITY ASSISTANCE TEAM PROCEDURES

A. Consideration of conducting a survey normally is a result of presenting the USG with a significant defense sales request, or requesting the USG survey defensive capabilities and requirements. Also, the USG may, at its own initiative, propose a survey team.

B. The normal response to the initial request for a survey shall be that the scope of the request requires review before a decision on the survey can be given. A comprehensive review of current defense sales restraint policies, regional arms control considerations, potential economic impacts, and human rights implications of defense sales is then initiated.

C. DoS, DoD, and ACDA shall review the defense sales request within the context of policy guidance, highlighting areas requiring policy decisions. DoD will prepare a preliminary assessment of the availability of the requested equipment or services, as well as the requesting nation's requirement for and technical ability to absorb the items in question. DoS will review the FMF situation for the host country, where applicable. Any statement regarding FMF beyond the current fiscal year's approved budget must receive Executive Office clearance by NSC and OMB. Future financing contributions can only be made in accordance with prevailing procedures.

D. DoS and AID will estimate the extent of the ability of the host country to devote its economic resources to defense purchases without an unduly deleterious effect on the host country economy. Needs for additional information will be identified during this review.

E. Simultaneously with the above review, the US embassy will be instructed by the DoS to contact appropriate host country ministries to ascertain the extent to which the host country is willing to commit its own resources to military purposes over the next three-five years, noting that financial parameters are essential ingredients in a realistic survey effort.

F. The Director, Central Intelligence Agency, will be requested to produce an interagency threat assessment.

G. Information gathered above is incorporated by DoS (PM) into an Action Memorandum to the SecState, coordinated with ACDA, DoD, OMB, and NSC, to determine (1) whether to send a survey team and (2) the mission of the team. In the event a decision is made to send the team prior to completion of the information gathering process outlined above, as many of the above steps as are possible will nevertheless be completed prior to the departure of the team. Affirmative decisions will be reported to Congress by DSAA as required by AECA Sec 26(b).

H. If the decision is made to dispatch a survey team, TOR and team composition will be developed by DoD in coordination with DoS, ACDA, and AID, if appropriate. The NSC and OMB must clear TOR and team composition. The US embassy will ensure that the government of the country to be surveyed understands and accepts the projected scope. If a decision is made not to dispatch the survey team, the US embassy, by direction of DoS, will convey this decision to the government, with explanatory rationale.

I. Pre-departure briefings for survey teams will include:

1. Scope and mission of the survey, Congressional or legal considerations, and arms control considerations (DoS/DoD).
2. Condition of the host country economy (DoS/AID).
3. Political situation in the host country and personal conduct-in-country (DoS).
4. Threat assessment and armed forces (CIA/DIA).

J. In-country gathering of information. Conduct of the survey team will be in accordance with the TOR.

K. Within ten duty days after returning to CONUS, a preliminary briefing will be given by the team chief for relevant DoS, DoD, ACDA, AID, NSC, OMB, CIA, and DIA personnel, with special attention to issues requiring high level policy review.

L. Within 30 days of its return to CONUS, the team will provide the draft report for review.

M. All appropriate agencies will simultaneously review the draft review. The Arms Transfer Management Group (ATMG) will serve as the interagency forum for the coordination of the report and the formulation of policy issues. The NSC staff, as necessary, will review the survey findings and make recommendations to the President.

N. The approved report will be presented to the host country and to Congress, if requested, pursuant to AECA Sec 26(c).

TABLE OF CONTENTS

CHAPTER SIX

MILITARY EXPORT SALES POLICIES AND CONSIDERATIONS

	Page
Section 600 - Policy Considerations	600-1
60001 General	600-1
60002 Disbursing Agent/Non-US Administrative Support Costs	600-2
60003 Proper Use of US-Origin Items	600-2
60004 Third Party Transfer Certification	600-3
60005 Foreign Military Design and Construction Sales	600-4
60006 Communications Security (COMSEC) Programs	600-5
60007 Translation Services	600-5
60008 Exclusive Licensing Arrangements	600-5
Table 600-1 - Country and International Organization Information	600-7
Section 601 - Contractor Preference for Direct Commercial Sales	601-1
60101 Purpose	601-1
60102 General	601-1
60103 Guidelines	601-2
60104 Commercial Source Responsibilities	601-3
60105 DSAA Responsibilities	601-3
60106 DOD Component Responsibilities	601-3
60107 FMS Customer Responsibility	601-4 **
Section 602 - SAO-Industry SA Relations	602-1
60201 Purpose	602-1
60202 SAO Guidelines	602-1
60203 Guidelines for Industry Interface with SAOs	602-3
Section 603 - Sale of GFE, GFM, and Related Services	603-1
60301 Purpose	603-1
60302 General	603-1
60303 Priorities and Allocations	603-2
60304 Financial Matters	603-2
60305 Sales Agreement	603-2

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The following acronyms or abbreviations are used in this table:

Country/Organization and **Code**. The short names and two digit Code listed are those assigned for FMS purposes (e.g., for assignment of LOA identifiers or SA communications) and are generally consistent with National Institute of Standards and Technology (NIST) codes in "Status of the World's Nations", DoS Office of the Geographer Publication 9694. If a territory, the host country Code is listed in parenthesis to the right of the Country name. Where FMS and NIST codes differ, NIST codes are listed parenthetically to the right of the SA Code.

UCOM (unified command area). NR - Nonregional, AT - Atlantic Command, CE - Central Command, EU - European Command, PA - Pacific Command, and SO - Southern Command

Reg (Region/Congressional grouping). NR - Nonregional, AFR - Africa Region, AR - American Republic, EUR - European, EAP - East Asia and Pacific, NESA - Near East and South Asia

FMS (AECA eligibility). F - Countries/Organizations determined by the President under AECA Sec 3(a)(1) to be eligible to purchase defense articles and defense services under authority of the AECA. A determination by itself does not signify that sales will be made since sales may have been suspended for legal or policy reasons. Questions regarding eligibility may be referred to DSAA Operations.

DU (dependable undertaking). U - authorized terms of sale DU.

DTS (defense transportation service). T - authorized to use DTS for all FMS shipments. Not all countries authorized DTS have active FMS programs. No international organization has DTS authority.

All interim or permanent changes to this table must be made by DSAA Operations Directorate, Management Division. Country/organization/ other codes which are not included below will not be introduced into records, including automated local records, without formal approval.

Country	Code	UCOM	Reg	FMS	DU	DTS
Afghanistan	AF	CE	NESA	F ¹		
Albania	AL	EU	EUR	F		
Algeria	AG	EU	NESA	F	U	
Andorra	AN	EU	EUR			
Angola	AO	EU	AFR			
Anguilla	AV	AT	AR			
Antigua and Barbuda (UK)	AC	AT	AR	F		T
Argentina	AR	SO	AR	F	U	
Armenia	AM	EU	EUR			
Australia	AT (AS)	PA	EAP	F	U	
Austria	AU	EU	EUR	F	U	
Azerbaijan	AJ	EU	EUR			

TABLE 600-1. Country and International Organization Information (Pg 1 of 8)

<u>Country</u>	<u>Code</u>	<u>UCOM</u>	<u>Reg</u>	<u>FMS</u>	<u>DU</u>	<u>DTS</u>	
Bahamas	BF	AT	AR	F	U		
Bahrain	BA	CE	NESA	F	U		
Bangladesh	BG	PA	NESA	F	U		
Barbados	BB	AT	AR	F	U	T	
Belarus	BO	EU	EUR				
Belgium	BE	EU	EUR	F	U		
Belize (UK)	BH	SO	AR	F		T	
Benin	DA (BN)	EU	AFR	F		T	
Bermuda (UK)	BD	AT	AR				
Bhutan	BT	PA	NESA				
Bolivia	BL	SO	AR	F		T	*
Bolivia INC	D1	SO	AR	F			
Bosnia-Herzegovina	BK	EU	EUR				
Botswana	BC	EU	AFR	F	U	T	
Brazil	BR	SO	AR	F	U		
British Indian Ocean (UK)	IO	PA	NESA				
British Virgin Islands (UK)	VI	AT	AR				
Brunei	BX	PA	EAP	F	U		
Bulgaria	BU	EU	EUR	F			
Burkina Faso	UV	EU	AFR	F		T	
Burma - see Myanmar	-	-	-				
Burundi	BY	EU	AFR	F		T	
Cambodia	CB	PA	EAP	F			*
Cameroon	CM	EU	AFR	F	U	T	
Canada	CN (CA)	NR	EUR	F	U		
Cape Verde, Republic of	CV	AT	AFR	F		T	
Cayman Islands (UK)	CJ	AT	AR				
Central African Republic	CT	EU	AFR	F		T	
Chad	CD	EU	AFR	F		T	*
Chile	CI	SO	AR	F	U		
China	CH	PA	EAP	F	U		
Colombia	CO	SO	AR	F	U	T	
Colombia INC	D5	SO	AR	F	U	T	
Comoros	CR (CN)	PA	AFR	F			
Congo	CF	EU	AFR	F			
Cook Islands	CW	PA	EAP	F			
Costa Rica	CS	SO	AR	F	U	T	
Croatia	HR	EU	EUR				
Cuba	CU	AT	AR				
Cyprus	CY	EU	EUR				
Czech Republic	EZ	EU	EUR	F			
Denmark	DE (DA)	EU	EUR	F	U		
Djibouti	DJ	CE	AFR	F		T	
Dominica	DO	AT	AR	F	U	T	
Dominican Republic	DR	AT	AR	F	U	T	

TABLE 600-1. Country and International Organization Information (Pg 2 of 8)

<u>Country</u>	<u>Code</u>	<u>UCOM</u>	<u>Reg</u>	<u>FMS</u>	<u>DU</u>	<u>DTS</u>
Ecuador	EC	SO	AR	F	U	T
Ecuador INC	D6	SO	AR	F	U	T
Egypt	EG	CE	NESA	F	U	
El Salvador	ES	SO	AR	F	U	T
Equatorial Guinea	EK	EU	AFR	F		T
Eritrea	ER	CE	AFR	F		
Estonia	EN	EU	EUR	F		
Ethiopia	ET	CE	AFR	F		T
Falkland Islands (UK)	FA	AT	AR			
Faeroe Islands	FO	AT	EUR			
Fiji	FJ	PA	EAP	F		
Finland	FI	EU	EUR	F	U	
France	FR	EU	EUR	F	U	
French Guiana (FR)	FG	SO	AR			
French Polynesia (FR)	FP	PA	EAP			
Gabon	GB	EU	AFR	F		T
Gambia	GA	EU	AFR	F		T
Georgia	GG	EU	EUR			
Germany	GY (GM)	EU	EUR	F	U	
Ghana	GH	EU	AFR	F		T
Gibraltar (UK)	GI	EU	EUR			
Greece	GR	EU	EUR	F	U	
Greenland (DE)	GL	AT	AR			
Grenada	GJ	AT	AR	F		T
Guadeloupe (FR)	GP	AT	AR			
Guatemala	GT	SO	AR	F	U	T
Guinea	GV	EU	AFR	F		T
Guinea-Bissau	PU	EU	AFR	F		T
Guyana	GU	SO	AR	F		T
Haiti	HA	AT	AR	F	U	T
Honduras	HO	SO	AR	F	U	T
Hong Kong (UK)	HK	PA	EAP			
Hungary	HU	EU	EUR	F		
Iceland	IL (IC)	AT	EUR	F	U	
India	IN	PA	NESA	F	U	
Indochina	IC	PA	EAP			
Indonesia	ID	PA	EAP	F	U	
Iran	IR	CE	NESA			
Iraq	IQ	CE	NESA			
Ireland	EI	EU	EUR	F	U	
Israel	IS	EU	NESA	F	U	
Italy	IT	EU	EUR	F	U	
Ivory Coast	IV	EU	AFR	F		T

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TABLE 600-1. Country and International Organization Information (Pg 3 of 8)

<u>Country</u>	<u>Code</u>	<u>UCOM</u>	<u>Reg</u>	<u>FMS</u>	<u>DU</u>	<u>DTS</u>
Jamaica	JM	AT	AR	F	U	T
Japan	JA	PA	EAP	F	U	
Jordan	JO	CE	NESA	F	U	T
(Kampuchea) See Cambodia	-	-	-			
Kazakhstan	KZ	EU	EUR			
Kenya	KE	CE	AFR	F	U	T
Kiribati	KR	PA	EAP			
Korea (Seoul)	KS	PA	EAP	F	U	
Kuwait	KU	CE	NESA	F	U	
Kyrgyzstan	KG	EU	EUR			
Laos	LA	PA	EAP	F ₁		
Latvia	LG	EU	EUR	F		
Lebanon	LE	EU	NESA	F	U	
Lesotho	LT	EU	AFR	F		T
Liberia	LI	EU	AFR	F	U	T
Libya	LY	EU	NESA	F ₁		
Liechtenstein	LS	EU	EUR			
Lithuania	LH	EU	EUR	F		
Luxembourg	LX (LU)	EU	EUR	F	U	
Macau (PT)	MC	PA	EAP			
Macedonia	MK	EU	EUR			
Madagascar	MA	PA	AFR	F		T
Malawi	MI	EU	AFR	F		T
Malaysia	MF (MY)	PA	EAP	F	U	
Maldives	MV	PA	NESA			
Mali	RM (ML)	EU	AFR	F		T
Malta	MT	EU	EUR	F	U	
Marshall Islands	R1 (RM)	PA	EAP	F		
Martinique (FR)	MB	AT	AR			
Mauritania	MR	EU	AFR	F		T
Mauritius	MP	PA	AFR	F		T
Mexico	MX	SO	AR	F	U	
Micronesia	FM	PA	EAP	F		
Moldova	MD	EU	EUR			
Monaco	MN	EU	EUR			
Mongolia	MG	PA	EAP			
Montserrat (UK)	MH	AT	AR			
Morocco	MO	EU	NESA	F	U	T
Mozambique	MZ	EU	AFR	F		T
Myanmar (formerly Burma)	BM	PA	EAP	F		
Namibia	WA	EU	AFR	F		T
Nauru	NR	PA	EAP			

TABLE 600-1. Country and International Organization Information (Pg 4 of 8)

<u>Country</u>	<u>Code</u>	<u>UCOM</u>	<u>Reg</u>	<u>FMS</u>	<u>DU</u>	<u>DTS</u>
Nepal	NP	PA	NESA	F	U	
Netherlands	NE (NL)	EU	EUR	F	U	
Netherlands Antilles (NE)	NA (NT)	AT	AR			
New Caledonia (FR)	NC	PA	EAP			
New Zealand	NZ	PA	EAP	F	U	
Nicaragua	NU	SO	AR	F ₁		
Niger	NK (NG)	EU	AFR	F		T
Nigeria	NI	EU	AFR	F	U	T
Niue	NQ	PA	EAP			
Norfolk Islands (AT)	NF	PA	EAP			
Norway	NO	EU	EUR	F	U	
Oman	MU	CE	NESA	F	U	
Pakistan	PK	CE	NESA	F ₁	U	
Panama	PN (PM)	SO	AR	F	U	
Papua-New Guinea	PP	PA	EAP	F		
Paraguay	PA	SO	AR	F		T
Peru	PE	SO	AR	F	U	T
Peru INC	D3	SO	AR	F	U	
Philippines	PI (RP)	PA	EAP	F	U	
Pitcairn (UK)	PC	PA	EAP			
Poland	PL	EU	EUR	F		
Portugal	PT (PO)	EU	EUR	F	U	
Qatar	QA	CE	NESA	F	U	
Reunion (FR)	RE	PA	AFR			
Romania	RO	EU	AFR	F		
Russia	RS	EU	EUR			
Rwanda	RW	EU	AFR	F		T
San Marino	SM	EU	EUR			
Sao Tome and Principe	TP	AT	AFR	F		T
Saudi Arabia	SR (SA)	CE	NESA	F	U	
Saudi Arabia National Guard	SI	CE	NESA	F	U	
Senegal	SK (SG)	EU	AFR	F		T
Serbia	S2 (SR)	EU	EUR			
Seychelles	SE	PA	AFR	F		T
Sierra Leone	SL	EU	AFR	F		T
Singapore	SN	PA	EAP	F	U	
Slovak Republic	LO	EU	EUR	F		
Slovenia	S3 (SI)	EU	EUR			
Solomon Islands	BP	PA	EAP	F		
Somalia	SO	CE	AFR	F		T
South Africa	UA (SF)	EU	AFR			
Spain	SP	EU	EUR	F	U	
Sri Lanka	CE	PA	NESA	F		
St Helena (UK)	SH	AT	AFR			

TABLE 600-1. Country and International Organization Information (Pg 5 of 8)

<u>Country</u>	<u>Code</u>	<u>UCOM</u>	<u>Reg</u>	<u>FMS</u>	<u>DU</u>	<u>DTS</u>
St Kitts and Nevis	SC	AT	AR	F		T
St Lucia	ST	AT	AR	F	U	T
St Pierre and Miquelon (FR)	SB	AT	AR			
St Vincent and Grenadines	VC	AT	AR	F	U	T
Sudan	SU	CE	AFR	F	U	T
Suriname	NS	SO	AR	F	U	
Swaziland	WZ	EU	AFR			T
Sweden	SW	EU	EUR	F	U	
Switzerland	SZ	EU	EUR	F	U	
Syria	SY	EU	NESA			
Taiwan	TW	PA	EAP	F	U	
Tanzania	TZ	EU	AFR	F		T
Tajikistan	TI	EU	EUR			
Turkmenistan	TX	EU	EUR			
Thailand	TH	PA	EAP	F	U	
Togo	TO	EU	AFR	F		T
Tokelau (NZ)	TL	PA	EAP			
Tonga	TN	PA	EAP	F		
Trinidad-Tobago	TD	AT	AR	F	U	
Tunisia	TU (TS)	EU	NESA	F	U	
Turkey	TK (TU)	EU	EUR	F	U	
Turks and Caicos (UK)	TS	AT	AR			
Tuvalu	TV	PA	EAP			
Uganda	UG	EU	AFR	F		T
Ukraine	UP	EU	EUR			
United Arab Emirates	TC	CE	NESA	F	U	
United Kingdom	UK	EU	EUR	F	U	
United Kingdom Polaris Project	UZ	EU	EUR			
Uruguay	UY	SO	AR	F	U	T
Uzbekistan	U2	EU	EUR			
Vanuatu	NH	PA	EAP	F		
Venezuela	VE	SO	AR	F	U	
Vietnam	VS (VM)	PA	EAP	F ₁		
Western Sahara	WI	EU	AFR			
Western Samoa	WS	PA	EAP	F		
Yemen	YE (YM)	CE	NESA	F ₁		
Yemen, Aden	YS (YM)	CE	NESA			
Zaire	CX (CG)	EU	AFR	F		T
Zambia	ZA	EU	AFR	F		
Zimbabwe	ZI	EU	AFR	F		T

*

TABLE 600-1. Country and International Organization Information (Pg 6 of 8)

<u>Organization</u> <u>2</u> / <u>Other</u>	<u>Code</u>	<u>UCOM</u>	<u>Reg</u>	<u>EMS</u>	<u>DU</u>
Central Treaty Organization (CENTO)	T3	NR	NR		
DSAA\DFAS reserved					
Airborne Warning and Control System	W1	NR	NR\3		
Department of Defense	00	NR	NR		
European Participating Group F16 follow on	PG	NR	NR		
Expanded IMET (Nonspecific)	66	NR	NR		
F-16, Belgium	F1	NR	NR		*
F-16, Denmark	F2	NR	NR		*
F-16, Netherlands	F3	NR	NR		*
F-16, Norway	F4	NR	NR		*
FAA Sec 607 Sales, Reimbursable (Delayed Payment)	S5	NR	NR		*
FAA Sec 607 Sales, Payment in Advance	S6	NR	NR		*
FAA Sec 632 Transactions	S4	NR	NR		*
FMF Administration (DFAS use through FY95)	55	NR	NR		
FMS Agreements (FACTS Data, DSAA)	C2	NR	NR		
General Cost-MAP (GC-MAP)	22	NR	NR		
MAP Owned Materiel (DSAA Records)	M3	NR	NR		
MAP Property Sales and Disposal (MAPSAD)	M2	NR	NR		
Panama Canal Area Military Schools (PACAMS)	11	SO	AR		
Seasparrow (Sec 1004, P.L. 98-525)	N3	NR	NR\3		
Special Defense Acquisition Fund (SDAF)	D2	NR	NR		
Intl Civil Def Organization (ICDO)	T8	NR	NR		
NATO	N2	EU	EUR	F	U
Headquarters	N6	EU	EUR	F	U
Airborne Early Warning and Control					
Operations and Support Budget (O+S)	K7	EU	EUR	F	U
Prog Mgt Ofc (NAPMO)	N1	EU	EUR	F	U
Commo & Info Systems Agency (NACISA)	K4	EU	EUR	F	U
Euro Fighter Acft Dev, Prod, & Log Mgt Agency (NEFMA)	M1	EU	EUR	F	U
HAWK Prod & Log Org (NHPLO)	M6	EU	EUR	F	U
Missile Firing Installation (NAMFI)	N9	EU	EUR	F	U
Multi-Role Combat Acft (MRCA) Dev & Prod Agency (NAMMA)	K3	EU	EUR	F	U
Mutual Weapons Dev Prog (MWDP)	N8	EU	EUR	F	U
NAMSA-F104	K2	EU	EUR	F	U
NAMSA General + Nike	N4	EU	EUR	F	U
NAMSA General-Other	M9	EU	EUR	F	U
NAMSA-HAWK	N7	EU	EUR	F	U
NAMSA Nike Training Center (NNTC)	K6	EU	EUR	F	U
NAMSA-Patriot	M8	EU	EUR	F	U
NAMSA-Weapons	M5	EU	EUR	F	U
Southern Region Signal/Communications	M7	EU	EUR	F	U
Supreme Allied Commander, Atlantic (SACLANT)	K5	EU	EUR	F	U
Organization of African Unity	A3	NR	NR	F	*

TABLE 600-1. Country and International Organization Information (Pg 7 of 8)

<u>Organization \2 /Other</u>	<u>Code</u>	<u>UCOM</u>	<u>Reg</u>	<u>FMS</u>	<u>DU</u>
Supreme HQ, Allied Powers, Europe (SHAPE)	A2	EU	EUR	F	U
Organization of American States (OAS)	A1	NR	NR	F	
Regions					
Africa	R6	EU	AFR		
American Republic	R5	SO	AR		
East Asia and Pacific	R4	PA	EAP		
European	R2	EU	EUR		
Near East and South Asia	R3	EU	NESA		
SE Asia Treaty Organization (ceased 24 Sep 75)	T4	NR	NR		
Trust Territory, Pacific Islands	PS	PA	EAP		
United Nations	T9	NR	NR	F	
International Civil Aviation Org (ICAO)	T7	NR	NR	F	
Office for the Coordination of UN Humanitarian and Economic Assistance Programs (UNOCHA)	A4	NR	NR	F	

\1 Program is currently restricted or suspended (suspension is noted only if extant for a prolonged period).

\2 International Treaty Organizations include:

 North Atlantic Treaty Organization (NATO) and its agencies
 Organization of African Unity (OAU)
 Organization of American States (OAS)
 United Nations (UN) and its agencies
 Intl Commission of Control and Supervision in Vietnam (inactive)
 Intl Commission of Control and Supervision in Laos (inactive)

*

\3 Affiliated with, but not eligible for FMS as part of, NATO.

TABLE 600-1. Country and International Organization Information (Pg 8 of 8)

Section 601 - Contractor Preference for Direct Commercial Sales

60101 PURPOSE. This section pertains to US contractors and DoD. It identifies the policies and procedures applicable to contractor requests to sell defense articles exclusively through direct commercial sales rather than through FMS.

60102 GENERAL.

A. **Direct Sales Preference.** As used in this section, the terms "direct sales" and "commercial sales" are synonymous, as are "direct sales preference" and "direct commercial sales preference." Direct sales preference is a procedure for recognizing contractor wishes to sell directly to countries approved to receive defense articles and services under the AECA, as opposed to Government-to-Government sales under FMS. The procedure is implemented as a courtesy to industry on a best efforts basis.

B. **DoD Neutrality.** DoD is generally neutral as to whether a foreign country satisfies its requirements for a US origin defense article through FMS or on a direct commercial basis. DoD inability or unwillingness to designate an item for direct sale preference should not be construed to reflect DoD preference for sale of an item via FMS.

C. **FMS Only Designation.** The following criteria will form the basis for DoD components to recommend that an item be sold only through FMS channels: A legislative or Presidential restriction; DoD policy (e.g., NDP-1); international agreement; or a US force interoperability or safety requirement. These criteria will be administered within DoD by DTSA through the export licensing process. Recommendations based on these criteria must be fully supported. Disagreements may be reconciled by DTSA or referred to the appropriate DoD element for resolution in accordance with NDP-1, DoDD 2040.2, or DoDD 5120.49.

D. **Concurrent FMS and Direct Negotiations.** DoD Components will not, except where such action is specifically approved by DSAA, engage in comparison studies requested by a foreign government of an FMS offer versus a direct commercial sale. Procedures in this section are designed to avoid or control such studies.

E. **USG Approval of Direct Sales.** Agreement by DoD to notify a country of direct sales preference does not constitute a commitment by the USG that a munitions license will be issued or that the use of USG-owned plant and production equipment will be authorized. Disapproval of a contractor request for this preference does not prevent approval of a munitions license for a specific sale or of a contractor request to use USG-owned plant and production equipment.

F. **Sales Activity Communications.** In implementing these procedures, each DoD Component processing LORs or LOAs will keep other Components informed of significant commercial sales activities.

G. **Preference Life Span.** Direct sale preference designations will normally be valid for three years. Confirmation that the article still qualifies will be accomplished prior to reinstatement or designation beyond three years. The responsibility to request continuation of the direct sale preference designation rests with the manufacturer of the article.

H. **Active Preference Summary.** During January each year, DSAA will provide to affected DoD Components a list of approved direct sale preference articles and their commercial

producers. DoD Components will use this list and the notifications provided at the time each direct commercial preference is approved in evaluating requests for P&A or an LOA for the articles.

I. **Individual Proposals.** If a request is received by DSAA which does not qualify for direct sale preference but identifies negotiations with one or more foreign countries, consideration will be given to preference for the transaction. A copy of the request for a price quotation from the country must be included. These notifications will be listed for one year as an appendix to the active preference summary.

J. **Extent of DoD Commitment.** The process outlined in this section is a best efforts commitment by DoD to comply with industry preferences. Failure on the part of a DoD Component to comply with these procedures will not invalidate any resultant FMS transaction.

60103 GUIDELINES. The following should be used to help select defense articles for which direct commercial preference will be requested and determine when the preference will be applied:

A. **Defense Article Exclusions.** The following will not be designated for direct sale preference:

1. Article provided on FMS LOA non-defined (dollar) lines or not significant military equipment on the USML. Automated procedures for supply under CLSSA, BO, CSP, or other dollar lines do not lend themselves to the manual process through which direct commercial preference operates.
2. Two or more producers qualified and capable of producing the defense article. This is to avoid guiding purchasers to one manufacturer of an item when there are other qualified producers.
3. Classified article. In most instances, for security reasons, classified articles require special handling which may not allow DoD to agree to a direct commercial preference commitment.
4. Ammunition above 40mm.
5. Article which includes GFE, including GFE manufactured in a Government-Owned, Government-Operated (GOGO) facility, unless authorized for sale to US firms under Section 603. Controls for these items needed to sustain a surge production capacity are more difficult to manage under direct preference.
6. Article where supply exclusively through commercial channels could reasonably be expected to adversely affect:
 - a. Deliveries to meet DoD, including FMS, needs.
 - b. DoD stockage levels (e.g., a substantial excess condition exists).
7. Article required in conjunction with a system sale.
8. A service. The difficulty in defining services to ensure equitable treatment of potential contractors normally prevents approval for direct commercial preference.

B. **Specific Sale Exclusions.** Under one or more of the following conditions, items which have otherwise been approved for direct sale preference may be sold through FMS procedures:

1. Sales to the Governments of Thailand and the Federal Republic of Germany. These countries have requested and been granted exceptions to purchase via FMS, articles and services designated for direct sale preference.

2. The sale is financed with MAP or FMF funds. *

3. The item has unallocated SDAF or DoD long supply (including MAP disposable) stocks and, in the judgement of the DoD Component concerned, reduction of the stocks is desirable.

4. Transfer through commercial channels could adversely effect deliveries under existing contracts.

5. The sale is approved by the Director, DSAA.

60104 COMMERCIAL SOURCE RESPONSIBILITIES. The manufacturer must inform DSAA Operations Directorate that it believes it is the sole US producer and prefers to sell an SME item on a direct commercial basis. The notification must provide the following: Article designation or nomenclature, military model number, and NSN (mandatory, will be returned without action if the NSN is not provided), date and number of the most recent contract with DoD, and the DoD recipient under the contract.

60105 DSAA RESPONSIBILITIES. DSAA will determine whether an article is to be designated for direct sale preference based on the request of the manufacturer and information provided by the cognizant DoD Component. The DoD Component will be provided an information copy of the response to the manufacturer with instructions regarding processing of requests for articles which have been designated for direct sale preference.

60106 DoD COMPONENT RESPONSIBILITIES. Correspondence pertaining to direct commercial preference should be coordinated with DSAA-OPS. A copy of approved * correspondence should be provided to the pertinent CINC and SAO.

A. **Requests for Preference.** DSAA will ask the applicable DoD Components to provide input within 30 days for responses to requests for preference. Input should include:

1. Confirmation that the item is SME. In some instances (e.g., certain wheeled vehicles), non-SME items are offered as defined lines on LOAs. Non-SME status should not disqualify the item from direct commercial preference consideration in these instances.

2. Contract history with the firm.

3. Other sources capable of producing the article.

4. Impact of preference designation on US programs (e.g., delayed deliveries or inability to reduce excess stocks.)

5. Confirmation that the item is manufactured without GFE or, if applicable, the firm's qualifications to purchase GFE under the provisions of Section 603. *

6. Other comments regarding whether the item qualifies for direct preference based on Section 60103 Guidelines.

B. P&A or LOA Requests. In addition to retaining information within SA organizations, notices of direct commercial sale designation should be held at the item manager level to allow proper screening of P&A and LOA LORs for direct sale preference. Within three weeks of receipt of the LOR, notify the purchaser of any direct preference, using the following letter or message text:

[Company] has advised DoD that it has the capability of providing [article], which you have requested to purchase via FMS, and prefers to market it on a direct commercial basis.

DoD has no preference as to whether this item is procured through FMS or on a direct commercial basis. If a commercial transaction is undertaken, the US Government will not be a party to the contract; therefore, all aspects of contract performance must be between your Government and the company.

Should you not desire to pursue a direct commercial purchase, please advise us of your rationale.

C. P&A or an LOA Versus a Commercial Proposal. SA countries may request FMS data after having solicited bids from contractors. Under these circumstances, data should not be offered until:

1. The country confirms that commercial negotiations have stopped and provides rationale for continuing with FMS.

2. When considered appropriate, CINC, SAO, and contractor input is obtained. Since * only one source usually exists for direct sale preference items, it will normally be presumed that contractor approval for FMS sale, versus no sale, is supported; however, DSAA or the DoD Component should obtain contractor comments prior to issuance of P&A or an LOA where necessary to make an informed FMS data release decision.

3. DSAA has determined, based on the combination of information received from the foreign government, and contractor when possible, whether to satisfy the requirement under FMS.

D. Withdrawal of LOAs. Instances could arise where an SA customer received an LOA and subsequently solicited bids from private industry for the same item. Such action does not automatically require DoD withdrawal of the LOA. DoD Components should query the country as to its intentions and express a predilection for withdrawing the LOA in light of the commercial quotation request.

60107 FMS CUSTOMER RESPONSIBILITY. National policy or specific program ** circumstances may dictate that both FMS and commercial data must be obtained. The FMS customer is not precluded from first obtaining FMS data and later determining it should request a commercial source price quote. In such instances, the customer should avoid concurrent FMS and commercial requests. If it is determined commercial acquisition is desired after FMS data has been requested, but before receipt of the data, the customer should cancel the LOR prior to requesting commercial data. When a contractor has been granted commercial preference, commercial data should be obtained and evaluated before FMS data are requested. If, after evaluating the commercial data, the decision is made to purchase via FMS, the customer should provide information showing commercial acquisition efforts have ceased and request any commercial preference be waived in order to meet the requirement.

TABLE OF CONTENTS

CHAPTER SEVEN

PREPARATION AND PROCESSING OF FMS CASES

	Page
Section 700 - General Information, FMS Agreements	700-1
70001 Purpose	700-1
70002 Background/Definitions	700-1
70003 Procedures	700-4 *
Table 700-1 - Recoupment of Nonrecurring Costs on Sales of Major Defense Equipment	700-10 *
Table 700-2 - Memo--Subject: Security Assistance Request for MDE	700-12 **
Table 700-3 - US DoD Letter of Intent	700-13 *
Table 700-4 - Standard Terms and Conditions U.S. DoD Letter of Intent	700-14 *
Table 700-5 - Amendment to US DoD Letter of Intent	700-15 *
Table 700-6 - Major Defense Equipment List	700-16 *
Section 701 - Preparation and Processing of FMS Agreements	701-1
70101 Purpose	701-1
70102 Policies	701-1
70103 General Procedures	701-2
70104 Preparing the Letter of Offer and Acceptance	701-4 *
70105 Additional Considerations	701-5 *
Table 701-1 - US Letter of Offer and Acceptance	701-13 *
Table 701-2 - Sample Termination Liability Worksheet	701-25 *
Table 701-3 - Supplementary Information for Letters of Offer	701-26 *
Table 701-4 - LOA Preparation Checklist	701-27 *
Table 701-5 - Additional Terms and Conditions [Aircraft Movement]	701-28 *
Table 701-6 - Additional Terms and Conditions Transportation and Services	701-29 *
Table 701-7 - Sample Terms and Conditions - Personnel Related Costs	701-30 *
Table 701-8 - Status of Forces Agreements	701-32 *
Section 702 - Specialized LOA Lines	702-1
70201 Program Management Lines	702-1
70202 Contingency Requirements	702-3
70203 CAS Performed Outside the US	702-4
Section 703 - Congressional Section 36(b) Notifications and Reports of FMS	703-1
70301 Purpose	703-1
70302 Statutory Provisions, Executive Requirements and Exceptions	703-1
70303 Criteria and Responsibilities for Congressional Submissions	703-6
70304 Procedures	703-8
70305 Classification	703-10
Table 703-1 - Milestones for LOA Request for SME	703-12

Table 703-2 - Milestones for LOA Request for Non-SME	703-13
Table 703-3 - Advance Notification Data	703-14
Table 703-4 - Military Justification Data	703-17
Table 703-5 - Statutory Notification Data	703-18
Table 703-6A - Sensitivity of Technology Data	703-20
Table 703-6B - Enhancement or Upgrade of Sensitivity of Technology of Items Planned to be delivered, Section 36(b)(5)(A) Report	703-22
Table 703-6C - Statutory Notification Data on Enhancement or Upgrade of Capability or sensitivity of Technology	703-23
Table 703-7 - Transmittal Letter for the Unsigned LOA	703-25
Section 704 - Case Management	704-1
70401 The Scope of Case Management	704-1
70402 Case Management Authority, Responsibility, Accountability and Control	704-1
70403 Reporting Requirements	704-4
70404 The Case Manager's Role in the Assignment of Tasks	704-4
70405 Performance Specifications and Measurement Standards	704-5
70406 Formal Training to Meet Special Requirements of the Case Manager.	704-5
Table 704-1 - Charter for Case Manager	704-6
Table 704-2 - Case Manager Data Elements	704-7

CHAPTER SEVEN

PREPARATION AND PROCESSING OF FMS CASES

SECTION 700 - GENERAL INFORMATION, FMS AGREEMENTS

70001 PURPOSE. The purpose of this section is to provide background, definitions and policy which apply to FMS Agreements.

70002 BACKGROUND/DEFINITIONS.

A. **Types of Requests.** FMS customers may request P&A data (for preliminary planning) or an LOA (when plans to purchase defense articles or services are relatively firm). All requests, no matter how informal, must be consistent with the provisions for processing these data.

1. **P&A Data.** Price and Availability estimates reflect rough order magnitude data, provided for planning purposes, showing projected availabilities and estimated costs for defense articles or services. P&A will normally be provided within 45 days of receipt of the LOR. P&A data are not normally valid for use in preparation of an LOA. To avoid confusion, the term P&A should not be used in reference to data developed for completion of an LOA, this should be referred to as LOA data.

a. DoD components should ensure that P&A is sufficiently accurate for planning, although not necessarily for budgeting, purposes. For MDE, the cognizant DoD component must assure that approval from DSAA has been received for release. When DSAA approval is provided within five working days of receipt of the request, unless otherwise advised, no further staffing with DSAA is required.

b. Data should not be released without reasonable assurance that an LOA, if requested, would be provided; i.e., the DoD component can recommend release and any further clearances needed, such as Congressional notification or disclosure approval, are obtainable.

c. P&A data for systems will normally reflect the incorporation of standard US subsystems.

(1) In exceptional cases, when requested and justified by the prospective purchasing government and approved by DSAA, P&A data for one or more non-standard subsystems may also be provided, either in lieu of or in conjunction with data for the standard US subsystem. A description of the performance characteristics of the desired non-standard subsystem(s) and supporting justification should accompany the Purchaser's P&A request.

(2) If an IA believes it should modify contractor-furnished data for the non-standard subsystem(s), the IA, when time permits, should expeditiously notify the contractor of the proposed modification, and contractor comments should be considered prior to the issuance of the data. If warranted, significant differences should be reconciled.

2. **LOA.** The Letter of Offer and Acceptance is the authorized document for use by the USG to offer to sell defense articles and defense services to a foreign country or international organization. The IA will forward LOAs for DSAA countersignature no later than 60 days after receipt of a complete request.

3. **LOI.** Letters of Intent are used on an exceptional basis to authorize expenditures for a relatively small portion of a major LOA which has not yet been implemented. Examples of use might include early purchase of castings or start of training to allow a program to proceed on schedule. Since LOIs entail a risk that the program of which they are part may not proceed, LOIs should be used only when clearly required to allow a program to proceed on schedule and within the projected cost.

B. Categories of Items and Services.

1. **Defense Articles and Defense Services.** Categories of defense articles and services are identified in the *International Traffic in Arms Regulations (ITAR)*, Part 121, "Arms, Ammunition and Implements of War." Items thus identified constitute the United States Munitions List (Reference Table 202-1). The import and export of such items is under the control of the Office of Defense Trade Controls, Bureau of Politico-Military Affairs, DoS. The munitions list is not all inclusive nor are FMS limited solely to those items.

a. **SME.** Articles in those defense articles and services on the US Munitions List which are preceded by an asterisk are referred to as SME.

b. **MDE.** A US defense article is considered to be an item of major defense equipment when it is identified as SME on the USML and when the USG has incurred either a nonrecurring research and development cost for the item of more than \$50 million or the item has had a total production cost of more than \$200 million. These dollar thresholds encompass all expenditures to date, including both US military services and security assistance requirements. Each DoD component is responsible for identification of MDE items under its cognizance, and for notification of MDE items to DSAA. DoD components will notify DSAA of applicable MDE items by providing information cited in Table 700-1. Once identified as MDE, the item is then recorded on the Major Defense Equipment List (MDEL), which designates equipment for special scrutiny when considered for sale to foreign governments either through foreign military sales or commercial sales channels. See Table 700-6 for the current MDEL.

C. **Standard FMS Cases.** Standard FMS cases are Defined Order, Blanket Order, and CLSSA. These cases generally allow DoD to provide to FMS Purchasers the same kinds of defense articles and services used by US forces. Defined Order and Blanket Order cases are also routinely used to provide hardware or services to support commercial end items, obsolete end items (including end items which have undergone system support buy outs), and selected non-US origin military equipment. **

1. **Defined Order Cases.** Most commonly used for sale of items requiring item-by-item trade security control throughout the sales process, items to be provided are stated explicitly on the LOA based on an LOA data study. SME, including MDE, and the related initial support package; explosives, including munitions; specific services; and TDPs are typical of items provided under these cases. Orders are normally placed by the IA following LOA implementation and, unless the IA (ICP head for secondary items) approves issue from stock, customer requirements are filled from DoD procurement.

2. **Blanket Order Cases.** Used for sale of relatively minor, non-SME, items which do not require intensive by-item control, to avoid the need for numerous defined line LOAs and thus reduce administrative burden and order leadtime. LOAs for these cases reflect categories (normally to support one or more end items) with no definitive listing of items or quantities. Scope is limited to described item categories and the Purchaser-furnished LOA dollar value. The Purchaser normally submits requisitions following LOA implementation as requirements occur and, unless the IA, normally at ICP head level, approves issue from stock, requisitions are filled from DoD procurement.

a. Examples of types of non-SME items which lend themselves to BO LOAs include: Spare and repair parts (consumables and reparable); publications (forms, catalog data, manuals, stock lists, reports, books, maps); support equipment (tools, test equipment); supplies (fuel, personnel items, commercial consumable items); maintenance (repair, rebuild, minor modifications or alterations); technical assistance (specialist advice or actions, site survey teams, system integration, item checkout, systems evaluation, study groups to develop engineering requirement plans, technical assistance teams); training (formal or informal); and training aids.

b. Classified materiel (Air Force has been granted an exception); SME, including MDE (Table 700-6) and the related initial support item package; commercial items more readily provided from in-country (e.g., lumber, sand, gravel, household goods); TDPs; and ozone depleting substances (ODS) will not be provided through a BO LOA.

3. **Cooperative Logistics Supply Support Arrangements.** CLSSAs provide, under Foreign Military Sales Order I and II LOAs, for FMS pre-stockage, storage, and consumption for DoD-stocked non-SME items which will be needed by the Purchaser on a recurring basis. Weapon system DBOF-managed repair parts are typical of items included. CLSSAs are not to be used for initial provisioning of repair parts. CLSSA LOAs reflect support for end items with no definitive listing of items or quantities, although items and quantities may be negotiated with the Purchaser as part of the CLSSA management process. Scope is limited by the LOA description of end items to be supported and dollar values of the FMSOs I and II which make up each CLSSA. FMSO I and II dollar values are based on the cost of forecasted requirements for the anticipated period of support. The Purchaser submits requisitions following LOA implementation as requirements occur. Also see 80202.

a. **FMSO I** LOAs provide for purchase and sustainment of an equity in DoD inventory and pipeline, normally equal to 17 months projected recurring demand. Following receipt of adequate stocks for sustained fill of incoming requisitions (i.e., FMSO I maturity), the FMSO I normally provides for 5 months on hand (FMSO 1A) and 12 months on order (FMSO 1B). The DoD components use this equity investment (capitalization) to procure additional stocks of secondary items, in preparation for Purchaser stock withdrawals.

b. **FMSO II** complements the FMSO I FMS case and allows the Purchaser to withdraw stocks from DoD inventories and deposit funds for routine FMSO I replenishment. Unless item stock levels are adequate to support all customers, FMSO II case requisitions received prior to receipt of augmentation stock are normally placed on backorder pending maturity of the FMSO I. As augmentation stocks become available, requisitions received under the FMSO II can be filled from stock. Requisitions received for materiel valued in excess of FMSO I investments will normally be treated as BO case requisitions.

c. For items to be supplied by DLA, the IA shall submit to DLA requirements information and the appropriate funds as soon as possible after signing of a new arrangement, or when an arrangement is revised.

d. When items subject to CLSSA augmentation are transferred from one DoD component to another, CLSSA program data and funds will be provided to the receiving component, as mutually agreed, during the transfer process.

e. Performance standards and measurement records shall be maintained by the DoD Components, including DLA, in such a manner that overall effectiveness for supplies provided under CLSSAs can be determined and compared with like US forces in a timely and efficient manner. The standards to be used are to be the same as those used for US forces.

f. Demand records shall be reviewed before excess materiel is transferred or declared surplus. If stockage of excess items resulted from CLSSA requirements, Purchasers shall be notified, in a timely manner, of their liability, along with a request for disposition instructions.

g. When a requirement exists to terminate a CLSSA, action shall be taken to ensure close-out is completed within six months. The IA, in coordination with other appropriate DoD components, including managers of items included in the CLSSA, will identify to customers their pro-rata share, in either quantities or dollar value, of stocks on hand and on order, above the level of DoD requirements, that are applicable to weapon systems and equipment being supported.

70003 PROCEDURES.

A. **LOR.** An eligible foreign country or international organization which desires P&A data or an LOA from the USG conveys that desire to the US Government in an LOR.

1. **Format.** Although no specific format is required for an LOR, the requestor must assure that the request is complete as indicated below:

a. The LOR must specify what is desired. For BO LOAs, the required level of funding must be provided.

b. The LOR must contain the name and address of the originator and a traceable reference number (e.g., letter serial number).

c. The articles and services requested in an LOR must be sufficiently detailed to be understood clearly and provide a firm basis for estimates by the DoD component.

d. When LORs are received which do not meet the requirements of paragraphs a. through c. above, the DoD component initially receiving the request shall notify the requestor of the deficiency and hold action on the request until the information is received.

e. LORs transmitted by US embassies or SAOs should, when possible, refer to the country letter or message requesting data. This can then be referenced in the LOA or other US response.

2. **Channels of Submission of LOR.** DoS has statutory responsibility for approving requests for FMS. DoS has established the following procedures for the submission of requests:

a. **SME.** Requests to purchase SME, which originate in country, should be transmitted by the US Embassy (rather than by the SAO or similar military element of the Embassy) and should be addressed to the cognizant DoD component (see Paragraph 70103.N) with an information copy to the Bureau of Politico-Military Affairs, Department of State (SecState-PM) and the Office of the Secretary of Defense, Defense Security Assistance Agency (SecDef/DSAA), and the UCOM. Requests to purchase SME which originate with Purchaser country representatives in the US should also be addressed to the cognizant DoD component with an information copy to the Bureau of Politico-Military Affairs, Department of State, and DSAA. For MDE items, the cognizant DoD component will provide the applicable unified command and SAO with a copy or details of the Purchaser's request, as appropriate. The following must be addressed in transmission of the request by the US Embassy:

- (1) The reason the nation desires the articles or services.

(2) How the item would affect the recipient's force structure and how it would affect the recipient's capability to contribute to mutual defense or security goals.

(3) The anticipated reactions of neighboring nations.

(4) The ability of the Purchaser to operate, maintain, and support the article. Training required either in-country or in the US and the possible impact of any in-country US presence that might be required as a result of providing the article.

(5) The source of financing and the economic impact of the proposed acquisition.

(6) Relevant human rights considerations that might bear on the proposed acquisition.

(7) Whether the US Government should approve transfer of the article and reasons therefore.

b. **Non-SME (All other FMS).** Requests for P&A or an LOA which originate in the Purchaser's country should be transmitted either by the customer country's authorized representative or the DoD element of the US country team directly to the cognizant DoD component (see Paragraph 70105.N), with an information copy to the UCOM, Bureau of Politico-Military Affairs, DoS, and DSAA. Requests originated by foreign representatives of the customer country in the US should be sent directly to the cognizant DoD component with an information copy to the Bureau of Politico-Military Affairs, DoS, and DSAA.

c. **Exceptions.**

(1) **Direct Submission to State or DSAA.** In exceptional circumstances requests for P&A and LOAs may be submitted directly to the Bureau of Politico-Military Affairs, DoS, and DSAA. Such submission should be used only when the US embassy in-country or the Purchaser's representative in the US believes that the request is sensitive enough to require a higher level policy determination.

(2) **Requirement for Copies Furnished.** DoD components receiving requests for P&A or an LOA will assure that the Department of State and DSAA are on distribution for copies of the Purchaser's request. If copies have not been furnished, immediate action is required to furnish the copies. Further, for MDE requests received from the Purchaser's representative in the US, the DoD component will provide the UCOM and SAO with a copy or details of the Purchaser's request, as appropriate.

(3) **Unknown Implementing Agency.** When the LOA IA cannot be readily determined by the Purchaser or the SAO/US embassy, the P&A or LOA request should be submitted to SecState/PM and SecDef/DSAA for further dissemination.

d. **DSAA and State Department Approval.** Based upon receipt of the information copy of the P&A or LOA request, DSAA and DoS will, within five working days, initiate the necessary coordination to determine if the request is approved, disapproved, or if further correspondence by the DoD component with the requestor should be suspended until completion of the required coordination. For MDE items, DSAA will immediately advise the IA of the initial approval or if difficulties are foreseen. For any MDE or non-MDE request that is not approved, DSAA will immediately advise the IA to stop further processing on the Purchaser's request, the rationale for the decision, and of the further actions required with regard to a response to the Purchaser. In the absence of such notification by DSAA, all requests will be processed for

DSAA final coordination and countersignature in accordance with Paragraphs 70103.I. and 70103.J.

e. **IA Disapproval Recommendation.** In the event the IA recommends that the Purchaser's request be disapproved, the DSAA Operations Directorate will be notified. DSAA will coordinate the disapproval with the DoS Bureau of Politico-Military Affairs.

f. **OT&E Incomplete.** The IA will refer any LOR to DSAA before responding to a request for any MDE item that has not completed Operational Testing and Evaluation. LOA or P&A data will not be released pending approval by DSAA. A note, discussed further in Section 701, will be included in the P&A correspondence or on the LOA.

g. **Integration of Non-US Subsystems.** Requests for integration or certification services for installation of non-US subsystems will be assessed carefully and coordinated with DSAA Weapons Systems Division prior to development of P&A or an LOA.

B. Responses to Letters of Request.

1. **General.** Normally, when preliminary data are required by a foreign country or international organization for planning or in anticipation of a purchase under FMS, P&A data will be provided.

2. **Discussions with Foreign Governments and International Organizations.** Economic, production, and budget uncertainties all contribute to DoD component difficulties in making accurate cost and delivery estimates. The large volume of P&A estimates which are processed also increases the likelihood of human error. In any event the utmost discretion must be exercised by members of the country team or other US officials in discussion of P&A data with foreign government or international organization officials. Only specific data approved and provided by the DoD component or the DSAA should be used.

3. **Format for P&A Data.** P&A data will not be used to develop an LOA. The following format must be used in responding to a request for P&A data. List the:

a. Quantity, major item or service, and estimated cost. (Cost must include adjustments for inflation. In the absence of the availability of clear inflation trends on a given system, OSD/Comptroller standard inflation factors should be used.)

b. Ancillary support equipment which is necessary for the operation and maintenance of the system requested and include the estimated cost.

c. Estimated dollar value of ILS element items in addition to those in subparagraph (b) above which are necessary to support the system; e.g., training and publications.

d. Estimated accessorial charges.

e. Source of the data (e.g., last contract award, stock price).

f. Estimated availability of the articles or services.

g. Key assumptions used in developing the data, for example:

(1) Standard DoD component factors were used in developing the ancillary equipment or ILS elements necessary to support the quantity of items requested.

(2) Training and publication cost estimates are based on criteria used by the DoD component.

h. Key factors which will effect the above planning data, for example:

(1) Current contract for this item expires on (indicate date) and an LOA must be accepted by (indicate date) so that options can be added to the current contract.

(2) Production line is due to phase out by (indicate date). Start-up costs would have to be applied if an LOA is not accepted by (indicate date).

(3) Materiel has a shelf-life of (indicate date).

i. **Validity:** The above information is not valid for purposes of preparing an LOA and may not be adequate for budgetary purposes. It is planning information for review purposes only, to assist in your government's determination of the feasibility of requesting an LOA.

4. **P&A Estimates are not Commitments.** All responses for P&A data will include the following note: "If the Government of (insert the appropriate foreign country) is interested in pursuing this potential purchase, it must request a Letter of Offer and Acceptance."

5. **Agents Fees or Commissions.** Any P&A quotation which contains agents fees or commissions will be coordinated with the Management Division of the DSAA Operations Directorate before dispatch.

6. **LOA.** The LOA will not be used to provide P&A data.

a. **Purpose.** The LOA (Table 701-1) will be used for all FMS of defense articles and services and sales of design and construction services.

b. **Periods of Effectiveness.** The LOA will itemize the defense articles and services offered, and when executed becomes an official tender by the USG. An accepted LOA is effective until all articles offered are delivered and all services completed. BO LOAs remain in effect until the Purchaser has requisitioned articles or services up to funds available on the LOA (also see Section 130503).

c. **Acceptance.** Signing of the LOA by the designated foreign official, together with applicable funding, constitutes the agreement of the Purchaser and constitutes a contractual commitment between the US and foreign government or international organization.

7. **Response to Requests which Involve Less than EOQ.** When a request is received for P&A or an LOA which cannot be supplied from stock and cannot be immediately obtained from normal procurement because it represents less than an EOQ, the response to such requests should provide the following information to the country or international organization:

a. Whether the contractor would be willing to provide the quantity requested under separate procurement, and if so at what price and availability date, and

b. Whether a USG procurement is planned for the near future, the anticipated price of such procurement and the anticipated delay if the requirement were held pending such procurement in conjunction with USG procurement. All such responses to a foreign country or international organization must be coordinated with DSAA Operations.

8. **Negative Responses.** When it is determined that a DoD component cannot respond favorably to the foreign country or international organization request, the proposed negative reply must be coordinated with DSAA Operations. The DSAA will coordinate with the Department of State as required. This procedure applies to inquiries involving requests for foreign military sales, requests for coproduction, requests for offset arrangements, requests for sensitive technical information, lease, etc. This procedure is not intended to apply to negative responses to inquiries of a technical nature involving accepted and implemented FMS cases unless, if approved, the request would have resulted in the issuance of an amendment to the basic LOA (e.g., requests involving a significant modification of a system or an increase in the overall capability of the item requested). In addition, the following routine training actions are exempt from this prior coordination requirement. (DSAA should be an information addressee on all such responses):

- a. Denial of requests within established policy (e.g., training courses closed to all foreign nationals, information not cleared for release, training for support equipment not in the Purchaser's inventory).
- b. Notification of class cancellations for previously approved quotas.
- c. Quota requests which cannot be accommodated within the desired timeframe.
- d. Courses where annual foreign participation is restricted to those invited by chiefs of services.

C. **Coordination of Requests for P&A or an LOA.**

1. The Director, Joint Staff, OJCS and the OUSD(A&T) must be advised by DSAA, utilizing the format at Table 700-2, of all new requests for P&A or an LOA which meet the following criteria:

- a. Coproduction or licensing agreements for MDE as defined in paragraph 70002.B.1.(b).
- b. All other requests for MDE which are expected to result in a notification to the Congress or those determined by the Director, DSAA Operations to be of a sensitive nature.

2. Only the OUSD(A&T) must be advised when LORs are received for which operational testing and evaluation are incomplete.

3. The receipt of the information copy by DSAA of the P&A or LOA request required by paragraph 70003.A.2. will be the basis for the above notifications.

[Note: All requests for information, no matter how informal the request, e.g., oral, letter, or message, are considered to be P&A requests and require the same channels of submission as outlined in paragraph 70003.A.2.]

D. **Letter of Intent (LOI) Procedures.** The LOI and amendment formats in Tables 700-3, 700-4, and 700-5 are designed to finance procurement of items prior to acceptance of an LOA by the purchasing country. "Items" in this context are extracts from LOA line items, and not necessarily items of hardware.

1. **Limitation of Cost or Funds.** Cost-reimbursement contracts awarded to implement an LOI must include a Limitation of Cost or Funds clause (FAR 52.232-20, 52.232-21, and 52-232.22). The clause may be deleted by contract amendment after the Purchaser's acceptance of the LOA.

2. **Sec 36(b). AECA Applicability.** When the parent LOA requires Sec 36(b) AECA reporting, the LOI must be approved by the Director, DSAA. If the LOI data fall within parameters for Sec 36(b) reporting, such reporting must be completed in the same manner as would be accomplished for an LOA, and prior to any LOI implementing action.

3. **IA Signature and DSAA Approval.** DSAA countersignature is required following IA signature and prior to submission of an LOI to the Purchaser and before implementation of an LOI amendment. If Congressional notification must be completed before the LOA can be issued, the following note will be added to the LOI: "It is understood that United States law requires that the United States Congress must be afforded a formal opportunity to review the proposed sale before the sales offer may be issued to the Purchaser and that a law may be enacted to prohibit such issuance. The Purchaser shall bear the risk that the offer may not be issued for reasons such as enactment of a prohibition."

4. **LOI Preparation.** Deviations from the format in Table 700-4 are not authorized. Deviations from the format in Table 700-3 may be recommended to DSAA, but should be carefully justified and kept to a minimum. The LOI uses the same designator as the parent LOA. Items to be provided should include the line item number and line (including MASL) data from the LOA. Terms of payment and payment schedule information should be included in the defense articles and services field. If available space is inadequate, an attachment should be used.

5. **LOI Amendment.** Amendments, in Table 700-5 format, are processed as country requests, reviewed, approved and signed by the LOA IA, and recommended to DSAA for countersignature. "Acceptance" occurs upon DSAA countersignature and completion of any changes in the LOI financial arrangements. A copy of the basic LOI and any previous * amendment(s) must accompany each LOI Amendment recommended for countersignature.

SECTION C		
QUANTITY PROJECTION BREAKOUT		
MAP		
COUNTRY/ INT'L ORGN	PROJECTED QUANTITY	EXPLANATION FOR PROJECTIONS
TOTAL MAP		
DIRECT SALES		
TOTAL DIRECT SALES		
FMS		
TOTAL FMS		
TOTALS		

TABLE 700-1. (Continued)

MEMORANDUM FOR THE CHAIRMAN, JOINT CHIEFS OF STAFF
ASSISTANT SECRETARY OF DEFENSE
(ECONOMIC SECURITY), OUSD(A&T)

SUBJECT: Security Assistance Request [Insert Country or International Organization] (*)

(*) The attached request from [Insert Country or International Organization] for [Insert Identification of Articles] which is identified as MDE or is considered to be of a sensitive nature has been received by this Agency.

(*) [Insert additional information, if required].

(*) Request that you review the Government of [Country] request. Comments should be provided by [Normally 15 days from date of this memo]. My point of contact for this action is [Name, office symbol, and phone of DSAA contact].

(Leave space for signature by)
(Director/Deputy Director, DSAA)

Attachment[s]
As stated

cc: OJCS, Director, J-5
DUSD(TSPD)
OASD(ISA)
Applicable SAO
Applicable DoD Component
Applicable Unified Command

*Memoranda will be classified if applicable.

TABLE 700-2. Memorandum -- Subject: Security Assistance Request
for MDE or Sensitive Articles.

**

**UNITED STATES DEPARTMENT OF DEFENSE
LETTER OF INTENT**

Purchaser name and address

* [self-explanatory]

*

Purchaser's reference LOA Identifier

A The Government of *, acting through its Ministry of Defense (hereafter referred to as the Purchaser) hereby declares its firm intent to procure, under United States Arms Export Control Act (AECA) procedures, from the Government of the United States (USG), items pertaining to the following:

*[use line item numbers and line data from the LOA. Include terms of payment and LOA dependable undertaking payment schedule.]

B Standard Terms and Conditions - United States (US) Department of Defense (DoD) Letter of Intent (LOI), attached, are hereby made part of this agreement. In order to permit the USG to proceed immediately with the purchase described herein and to cover associated administrative expenses, the US DoD is herewith authorized to incur obligations and expend up to the sum of \$ * (which includes estimated administrative and termination costs) on a Foreign Military Sales dependable undertaking basis, to be exceeded only in the event of a decision by either a Court or Board which increases the contractor's entitlement.

[Use the applicable section C version shown below. The first version is to be used when the LOA has not yet been provided to the Purchaser. The second is to be used when the LOA has been issued to the Purchaser.]

C It is understood that the US Department of the * [Army, Navy, or Air Force] plans to present to the Purchaser a Letter of Offer and Acceptance within * days after signature of the Letter of Intent. [Add AECA Sec 36(b) note if applicable (Paragraph 70003.D.3).] *

OR

C A Letter of Offer and Acceptance that includes items in Section A was issued to the Purchaser by the US Department of the *[Army, Navy, or Air Force] on * [date LOA released]. Purchaser intends to sign said Letter of Offer and Acceptance not later than * [date by which the LOA is expected to be signed, normally not later than the expiration date].

D The undersigned are authorized representatives of their governments and hereby commit their governments to this Letter of Intent (LOI):

* _____ US Signature	* _____ Date	** _____ Purchaser Signature	** _____ Date
* _____ Typed name and title		** _____ Typed name and title	
* _____ Implementing Agency		** _____ Agency	
*** _____ DSAA	*** _____ Date		
*** _____ Typed name and title			

* Data entered by IA
** Entered by Purchaser
*** Entered by DSAA, Office of Comptroller

TABLE 700-3. US DoD Letter of Intent.

**Standard Terms and Conditions - United States (US)
Department of Defense (DoD) Letter of Intent (LOI)**

1 Except to the extent directly inconsistent with the provisions hereof, the terms and conditions set forth in "Letter of Offer and Acceptance Standard Terms and Conditions" of the Letter of Offer and Acceptance on which this LOI is based will apply to all activities undertaken pursuant to this LOI, and the estimated costs of such activities will be included in the Letter of Offer and Acceptance. In particular, Conditions 2.2, 2.3, and 3 are hereby incorporated by reference and made an integral part of this LOI. This LOI shall be superseded upon Purchaser's signature of the Letter of Offer and Acceptance.

2 In anticipation of the Purchaser's signature of the above mentioned Letter of Offer and Acceptance, the Purchaser Government commits to the following:

2.1 If, prior to Purchaser signature of the above mentioned Letter of Offer and Acceptance, the US DoD has reason to believe that the costs which it expects to incur in the performance of this LOI will exceed the amount set forth in block section B, it shall promptly notify the Purchaser in writing to that effect. The notice shall state the estimated amount of and the date by which the additional obligational authority (by a new or amended LOI) will be required from the Purchaser in order to continue performance.

2.2 If, after such notification, the additional obligational authority is not granted by the date set forth in the notification, the US Government is authorized, at its discretion, to terminate any and all activities under this LOI at Purchaser's expense, in accordance with section 2.3 below, in an amount not to exceed the amount set forth in section B.

2.3 The Purchaser agrees to pay the full amount of such authorized obligations and to make funds available in such amounts and at such times as may be requested by the US Government for expenditures against such obligations.

3 This LOI does not prejudice the Purchaser's decision on the acceptance of the Letter of Offer. Moreover, the Purchaser may cancel all or any part of this LOI at any time by notifying the US Government. Upon receipt of such notification the US Government is authorized to terminate any and all activities initiated hereunder, at Purchaser's expense, in accordance with section 2.3 above, in an amount not to exceed the amount set forth in section B.

4 Certain items for which procurements may be initiated hereunder are normally the subject of definitization conferences, at which specific items and quantities are agreed upon. If it is necessary to place any such items on order prior to any such conference, the US DoD is authorized to do so, using its best judgment, and will furnish a list of the items so ordered at the conference.

TABLE 700-4. LOI Standard Terms and Conditions

* [Purchaser letterhead]

* [date]

* [DoD Military Department address]

Reference is made to the Letter of Intent between the Government of * [purchasing country] and the United States Department of the * [Army, Navy, or Air Force], which we * signed * [date of the LOI], identified by LOA designator * [two character country code; code B, P, or D; and three character LOA identifier]. The Government of * [purchasing country] desires to * [show change desired] and herewith authorizes the Department of the * [DoD Military Department] to incur obligations and expend up to the sum of \$ * [revised LOI value] on a Foreign Military Sales dependable undertaking basis for said Letter of Intent.

* [Purchaser signature]

* [Purchaser typed name and title]

** (MILDEP signature and date)

** (MILDEP typed name and title)

*** (DSAA Office of Comptroller signature and date)

*** (DSAA Office of Comptroller typed name and title)

- | |
|--|
| * Completed by the Purchaser in consultation with the DoD Military Department
** Completed by the implementing US DoD Military Department
*** Completed by DSAA, Office of the Comptroller |
|--|

TABLE 700-5. Amendment to US DoD Letter of Intent.

ITEM DESCRIPTION	APPROVED CHARGE	EFFECTIVE DATE/NOTES	
<u>CATEGORY I - FIREARMS</u>			
GUN, MACHINE, M2, 50 CAL. (A)	2	28MAR89	(B)
GUN, MACHINE, M240 SERIES (A)	65	28MAR89	(B)
GUN, RIFLE, M16 SERIES, 5.56MM (A)	8	25MAR80	
<u>CATEGORY II - ARTILLERY AND PROJECTILES</u>			
GUN, 20MM, M61 (AF)	1,342	06DEC84	
GUN, 30MM, GAU-8 (AF)	27,881	22JAN81	
GUN POD, 30MM, GPU-5/A (AF)	60,239	11AUG82	
HOWITZER, M101A1, TOWED, 105MM (A)	850	11JUN87	
<u>CATEGORY III - AMMUNITION</u>			
CARTRIDGE, 20MM (A)			(D)
CARTRIDGE, 30MM GAU-8 (AF)	0.50	28MAR89(B)	
CARTRIDGE, 40MM, HE (A)	0.11	28MAR89(B)	
CARTRIDGE, 40MM, M385 DUMMY (A)	0.19	15MAY91	
CARTRIDGE, 40MM, M406 HE (A)			(D)
CARTRIDGE, 40MM, M433 FXD HEDP, SNGL RD 72/BX (A)	0.43	15MAY91	
CARTRIDGE, 60MM, HE (A)	0.47	28MAR91	
CARTRIDGE, 60MM, M49A2/A3/A4 HE (A)			(D)
CARTRIDGE, 60MM M720 HE W/FMO M734 (LAP) (A)	5.00	15MAY91	
CARTRIDGE, 81MM, M301 ILLUM (ONLY) (A)	0.04	07MAY81	
CARTRIDGE, 81MM, M374A2/A3 HE (A)			(D)
CARTRIDGE, 81MM, M374A3 HE W/M567 FUZE (A)	3.24	15MAY91	
CARTRIDGE, 105MM, M393A2 HE, HEP-T (A)			(D)
CARTRIDGE, 105MM, M456 HEAT-T MP (A)	3.59	07MAY81	
CARTRIDGE, 105MM, M490 (A)	0.57	07MAY81	
CARTRIDGE, 105MM, M724A1 (A)	1.42	07MAY81	
CARTRIDGE, 105MM, M774 APFSDSD-5 2/BX (A)	24.00	15MAY91	
CARTRIDGE, 105MM, M833 APFSDS-T (A)	88.00	05JUL91	
CARTRIDGE, 105MM HE (A)	0.87	21MAY79	
CARTRIDGE, 120MM, M829 APFSDS-T (A)	126.60	02DEC88	
CARTRIDGE, 120MM, M830 HEAT MP-T (A)	293.59	02DEC88	
CARTRIDGE, 120MM, M831 HEAT TP-T (A)	83.03	02DEC88	
CARTRIDGE, 120MM, M865 TPCSDS-T (A)	37.82	02DEC88	
CARTRIDGE, 4.2", M329 HE (A)			(D)
CARTRIDGE, 4.2", M329A2 HE W/O FUZE W/OLD OBTURATOR (LAP) (A)	4.08	15MAY91	
CARTRIDGE, 4.2", M335 ILLUM (INCLUDES M577 FUZE) (A)	4.03	20JAN82	
CARTRIDGE, 4.2", HE (A)			(D)

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 1 of 14)

PROJECTILE, 155MM, M107 (A)	3.22	21MAY79	
PROJECTILE, 155MM, M483/M483A1 (A)	2.20	02MAR82	
PROJECTILE, 155MM, M549 HE RAP (A)	13.76	05FEB81	
PROJECTILE, 155MM, M692/M731 HE ADAM (A)	111.00	30MAY86	
PROJECTILE, 155MM, M712 CLGP COPPERHEAD (A)	4,152.00	17SEP81	
PROJECTILE, 155MM, M718/M741 RAAMS (A)	57.00	30MAY86	
PROJECTILE, 155MM, M864 HE (A)	47.00	10AUG93	(A)
PROJECTILE, 175MM, M437 HE (A)	2.33	26MAR80	
PROJECTILE, 5"/38 CAL (N)	15.60	09JUL84	
PROJECTILE, 5"/54 CAL (N)	74.42	04MAY84	
PROJECTILE, 8" M106 HE (A)	0.04	21MAY79	
PROJECTILE, 8" M509 HE ICM (A)			(D)
PROJECTILE, 8" M650 HE (A)	83.04	21MAY79	
PROJECTILE, 8" HE ICM (A)	15.48	21MAY79	

CATEGORY IV - LAUNCH VEHICLES, GUIDED MISSILES, BALLISTIC MISSILES, ROCKETS TORPEDOES, BOMBS AND MINES

BOMB, BLU-109 (AF)	747	18MAY89	
BOMB, CBU-87 COMBINED EFFECTS BOMBLETS (AF)	1,080	06DEC84	(D)
BOMB, CBU-89 CLUSTER, TMD/GATOR MINES (N)			
BOMB, CBU-90 ANTI-ARMOR CLUSTER MUNITION (AF)	3,351	28MAR89	(B)
BOMB, MK20, CLUSTER BOMB ROCKEYE (N)	117	25MAR83	
BOMB, MK82 500# GENERAL PURPOSE (N)	3	25MAR83	
BOMB, MK83 1000# GENERAL PURPOSE (N)	10	25MAR83	
BOMB, MK84 2000# GENERAL PURPOSE (N)	13	25MAR83	
BOMB, M117, 750#, GENERAL PURPOSE (AF)	20	06DEC84	
BOMB, GUIDED, WALLEYE SERIES (N)	6,183	06DEC84	
COUNTERMEASURE, MK214/MK216 SEA GNAT (N)	145	01APR92	
GRENADE, M42 (A)	0.01	10MAY91	
GUN MOUNT, M75, 76MM GUN (N)	62,749	06DEC84	
GUN MOUNT, MK45 MOD 1, 5"/54 (N)	142,566	01OCT84	
LAUNCHER, MK13 (MOD 0 TO MOD 3) (N)	78,125	17NOV78	
LAUNCHER, MK41 VERTICAL LAUNCHING SYSTEM (VLS) (29 OR 61 CELLS) (N)	1,232,863	14DEC87	
SYSTEM (VLS) (8 CELL VARIANT)	154,108	24NOV89	
MINE, CANNISTER M87 (VOLCANO) (A)	270	15MAY91	
MISSILE, AGM-45 SHRIKE (N)	4,890	11AUG78	
MISSILE, AGM-65A/B MAVERICK (AF)	3,722	03FEB81	
MISSILE, AGM-65D MAVERICK (AF)	5,343	03NOV87	
MISSILE, AGM-65E LASER MAVERICK (AF)	24,213	06DEC84	
MISSILE, AGM-65F/G MAVERICK (AF)	6,331	03NOV87	
MISSILE, AGM-78 STANDARD ARM (N)			(D)
MISSILE, AGM-88 HARM (N)	21,249	20APR82	
MISSILE, AIM-4A-G, FALCON (AF)	3,321	12MAR82	
MISSILE, AIM-7 SKYFLASH PORTION (N)	820	07MAY81	
MISSILE, AIM-7, C/D/E SPARROW (N)	2,733	07MAY81	

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 2 of 14)

MISSILE, AIM/RIM-7F/M SPARROW (N)	7,646	02JUN82	
MISSILE, AIM/RIM-7P SPARROW (N)	40,258	24APR91	
MISSILE, AIM-9H SIDEWINDER (N)	3,457	03OCT78	
MISSILE, AIM-9 J/P/N SIDEWINDER (AF)	134	12MAR82	
MISSILE, AIM-9L SIDEWINDER (N)	2,604	18MAY78	
MISSILE, AIM-9M SIDEWINDER (N)	6,368	25MAR83	
MISSILE, AIM-54A-C PHOENIX (N)			
(INCLUDES FRONT END - 35,019;			
AFT END - 36,276)	71,295	10JAN83	
MISSILE, MIM-72 CHAPARRAL SERIES (A)	2,100	16DEC88	
MISSILE, RGM-66D STANDARD ARM (N)			(D)
MISSILE, RIM-66B/B-2, RIM-66E			
RIM-67A-13 STANDARD 1 (SM-1)			
BLOCK V STANDARD (N)	12,602	15SEP77	
MISSILE, RIM-66D AND RIM-67B			
STANDARD 2 (SM-2) (N)	89,651	06DEC84	
MISSILE, RIM-66D AND RIM-67B			
STANDARD 2 (SM-2) BLOCK II (N)	40,253	21APR89	
MISSILE, RIM-66G/H/I STANDARD 2			
(SM-2) BLOCK I (N)	64,192	22JUL91	
MISSILE, RIM-66G/H/I STANDARD 2			
(SM-2) BLOCK II (N)	25,423	22JUL91	
MISSILE, RIM-66G/H/I STANDARD 2			
(SM-2) BLOCK III (N)	38,465	22JUL91	
MISSILE, X-RIM-116A, 5" ROLLING			
AIRFRAME, RAM (N)			(D)
MISSILE, DRAGON, HEAT AND PRACTICE (A)	378	24MAR80	
MISSILE, I-HAWK SERIES (A)	7,053	12NOV80	
MISSILE, LANCE (A)	76,205	21MAY79	
MISSILE, NIKE HERCULES (A)	448,055	28MAR89(B)	
MISSILE, PERSHING SERIES (A)	128,378		
MISSILE, REDEYE (A)			(D)
MISSILE, TOMAHAWK (N)			(D)
MISSILE, NATO SEASPARROW SURFACE			
MISSILE SYSTEM (NSSMS) (N)			(D)
MISSILE SYSTEM, AMRAAM (AF)			
MISSILE, AIM-120	114,182	22JAN92	
MISSILE, AIM-120 AIR VEHICLE			
INSTRUMENTED (AAVI) (AF)	114,182	22JAN92	
LAUNCHER, LAU-127/A (F/A-18)	3,530	22JAN92	
LAUNCHER, LAU-128/A (F-15)	3,530	22JAN92	
LAUNCHER, LAU-129/A (F-16)	3,530	22JAN92	
MISSILE SYSTEM, ARMY TACTICAL			
(ATACMS) (A)	148,275	31OCT88	
MISSILE SYSTEM, HARPOON (N)			
LAUNCHER, AN/SWG-1(V) BASELINE	80,562	20JAN78	
LAUNCHER, HARPOON SHIPBOARD			
COMMAND AND LAUNCH CONTROL SYSTEM,			
AN/SWG-1A(V) (HSCALCS)	109,603	11DEC86	
MISSILE, AGM-84 (RGM/UGM)	44,083	20JAN78	

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 3 of 14)

MISSILE SYSTEM, AGM-114 HELLFIRE (A)		14MAY85	
LAUNCHER, HELLFIRE	14,715		
MISSILE AGM-114A/B/C HELLFIRE	4,124		*
MISSILE SYSTEM, PATRIOT, MIM-104 (A)	3,700,725	18NOV82	
ANTENNA MAST SET	131,906		
ELECTRICAL POWER PLANT (EPPII)	339,464		
ENGAGEMENT CONTROL SYSTEM (ECS)			
AN/MSQ-104	548,311		
LAUNCHER	214,782		
MISSILE W/CANISTER	82,836		
RADAR, AN/MPQ-53	2,383,426	24SEP80	
MISSILE SYSTEM, ROLAND (A)			
FIRE CONTROL, AN/GSG-11 MISSILE			
SYSTEM, (MFCS)	324,828		
LAUNCHER	324,828		
MISSILE	4,422	03MAY91	
MISSILE SYSTEM STINGER (A)			
MISSILE/TUBE, STINGER BASIC	3,800		
MISSILE/TUBE, STINGER POST	66,100		
MISSILE/TUBE, RMP	3,000		
MISSILE SYSTEM, TOW (A)			
LAUNCHER	3,029	16SEP77	
MISSILE, BGM-71A BASIC TOW			
HEAT AND PRACTICE	293	16SEP77	
MISSILE, BGM-71D TOW 2	658	19DEC83	
MISSILE, BGM-71E TOW 2A			
MISSILE, M65 SUBSYSTEM AIRBORNE TOW	27,800	17MAY89	
MISSILE, I-TOW (Basic + Warhead)	487	03NOV81	
ROCKET, 2.75" SERIES (A)	0.87	26MAR80	
ROCKET, M72 SERIES, LIGHT ANTITANK			
WEAPON (LAW), 66MM (A)	1.32	28MAR89	(B)
ROCKET, ANTISUBMARINE, (ASROC) (N)	885	20DEC84	
ROCKET, VERTICAL LAUNCH ANTISUBMARINE			
(ASROC) (VLA) (N)	98,926	14DEC87	
ROCKET SYSTEM, M77, MULTIPLE LAUNCH			
(MLRS), TACTICAL, PRACTICE, TRAINING (A)		02DEC85	
LAUNCHER	173,000		
ROCKET (6 ROCKETS PER POD)	615		
TORPEDO, MK46 MOD 2 (N)	8,993	28MAR89	
TORPEDO, MK46, NEARTIP O/A KIT			
(CONVERTS MK46 MODS 1/2 TO MOD 5 (N))	3,795	26JAN80	
TORPEDO, MK46 MOD 5 (N)	9,308		
TORPEDO, MK48 (N)	86,255	21JUL77	
TORPEDO, MK48 ADCAP KIT (N)	103,322	25NOV80	
WEAPON, FUEL AIR EXPLOSIVE, FAE II (N)			(D)

CATEGORY V - PROPELLANTS, EXPLOSIVES AND INCENDIARY AGENTS

Items in this category which meet the dollar criteria for major defense equipment are not significant military equipment as defined in the US Munitions List.

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 4 of 14)

CATEGORY VI - VESSELS OF WAR AND SPECIAL NAVAL EQUIPMENT

CG- GUIDED MISSILE CRUISER (N)			(D)
DD-963, DESTROYER (N)			(D)
DD - DESTROYER (N)			(D)
DDG - GUIDED MISSILE DESTROYER (N)			(D)
FF - FAST FRIGATE, GARCIA CLASS (N)		24APR89	
FF-1041 USS BRADLEY	754,810		
FF-1043 USS EDWARD MCDONNELL	767,515		
FF-1047 USS VOGEL	1,597,365		
FF-1048 USS SAMPLE	703,430		
FF-1050 USS ALBERT DAVID	689,885		
FF-1051 USS O'CALLAHAN	629,895		
FFG - GUIDED MISSILE FRIGATE,			
FFG-7 CLASS (N)	2,975,714	21SEP95	*
FFG - GUIDED MISSILE FRIGATE,			
BROOKE CLASS (N)		21APR89	
FFG-1 USS BROOKE	1,276,485		
FFG-2 USS RAMSEY	1,101,730		
FFG-3 USS SCHOFIELD	1,104,670		
FFG-4 USS TALBOT	1,059,345		
FFG-5 USS RICHARD L. PAGE	886,235		
LCAC - LANDING CRAFT AIR CUSHION (N)			(D)
LHD - AMPHIBIOUS ASSAULT SHIP (N)			(D)
LPD - AMPHIBIOUS TRANSPORT DOCK (N)			(E)
LSD - DOCK LANDING SHIP (N)			(E)
LST - TANK LANDING SHIP			
(NEWPORT CLASS) (N)	824,840	25JAN84	
LKA - AMPHIBIOUS CARGO SHIP (N)			(E)
LPA - GENERAL PURPOSE AMPHIBIOUS			
ASSAULT SHIP (N)			(E)
MSO - MINESWEEPER, OCEAN,			
NONMAGNETIC (N)			(E)
PHM - PATROL COMBATANT MISSILE			
(NATO) HYDROFOIL (N)	1,000,000	28MAR89	(B)
PHM - PATROL COMBATANT MISSILE			
(FRG VARIANT) HYDROFOIL (N)	1,250,000	28MAR89	(B)
SS - SUBMARINE, CONVENTIONALLY			
POWERED (N)			(E)

CATEGORY VII - TANKS AND MILITARY VEHICLES

AIR DEFENSE SYSTEM, M163 AND			
M167 SERIES, VULCAN (A)	29,439	26MAR80	
GUN, M107 SELF-PROPELLED,			
175MM (A)	40,258	26MAR80	
HOWITZER, M109A1-A3			
SELF-PROPELLED, 155MM, (A)			
(INCLUDES CANNON ASSEMBLY)	8,771	23JUN87	
(WITHOUT CANNON ASSEMBLY)	7,447	23JUN87	

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 5 of 14)

HOWITZER, M110A SELF-PROPELLED, 8" (A)	14,371	26MAR80	
HOWITZER, M110A1 SELF-PROPELLED, 8" (A)	16,975	26MAR80	
HOWITZER, M110A2 SELF-PROPELLED, 8" (A)	21,069	26MAR80	
HOWITZER, M198 TOWED, 155MM (A)	47,483	14FEB86	
TANK, M1 ABRAMS (A)	114,443	27OCT88	
TANK, M1A1 (A)	226,725	27OCT88	
TANK, M1A2 (A)	248,001	07JAN93	(A)
TANK, M48A1 (A)	1,479		
TANK, M48A3 (A)	5,521		
TANK, M48A5 (A)	12,849		
TANK, M60A1 (A)	14,083	03MAR80	
TANK, M60A3 (A)			
W/Thermal Tank Sights	31,427	03MAR80	
W/O Thermal Tank Sights	21,939	03MAR80	
TANK ENGINE, AGT-1500	18,714	07JAN93	(A)
(M1 TANK SERIES)(A)			
TANK ENGINE, AVDS-1790			
(M60A1 TANK) (A)	2,066	03MAR80	
TRANSMISSION, HMPT 500-3 BRADLEY (A)	3,564	05APR91	
VEHICLE, AAV7A1/AAVAI ASSAULT			
AMPHIBIOUS (N)	91,426	20APR82	
VEHICLE, LAV-25 SERIES LIGHT			
ARMORED (LAV) (N)		17JUN91	
LAV-25 (INCLUDES LAV-25 TURRET)	2,818		
LAV-LOGISTICS	7,610		
LAV-RECOVERY	26,305		
LAV-MORTAR	14,383		
LAV-CMD/CONTROL	16,723		
LAV-ANTITANK (INCLUDES LAV-25 TURRET)	13,473		
LAV-BASELINE	800		
LAV-25 TURRET	1,600		
VEHICLE, M2 INFANTRY FIGHTING (IFV) (A)	51,989	22NOV89	
M2A1 (IFV)	74,937		
M2A1 (MINUS) (IFV)	57,580		
M2A2 (IFV)	106,593		
VEHICLE, M3 CALVARY FIGHTING			
VEHICLE (CFV) (A)	50,549	22NOV89	
M3A1 (CFV)	73,497		
M3A1 (MINUS) (CFV)	56,140		
M3A2 (CFV)	106,113		
VEHICLE, M88/M88A1 RECOVERY (A)	8,460	01NOV88	
VEHICLE, M113 SERIES, ARMORED			
PERSONNEL CARRIER (APC)	688	11SEP78	
FAMILY OF VEHICLES (FOV) (A)			
CARRIER, M106A1/2 MORTAR			
CARRIER, M548 SERIES, CARGO			
CARRIER, M577 SERIES, COMMAND POST			
CARRIER, M667 LANCE			
CARRIER, M727 HAWK			
CARRIER, M730 CHAPARRAL			
CARRIER, M741 VULCAN			

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 6 of 14)

VEHICLE, M551 ARMORED RECONNAISSANCE ASSAULT (A)	33,213		
VEHICLE, M578 RECOVERY (A)			(D)
VEHICLE, M723 MECHANIZED INFANTRY COMBAT (A)			(D)
VEHICLE, M728 COMBAT ENGINEERING (CEV) (A)			(D)
VEHICLE, M981 FIRE SUPPORT TEAM (FISTV) (A)	68,476	03FEB86	
VEHICLE, M992 FIELD ARTILLERY AMMUNITION SUPPORT (FAASV)(A)	12,805	22NOV89	
VEHICLE, M998 SERIES, HIGH MOBILITY MULTI-PURPOSE WHEELED (HMMWV) (A)			
CARRIER, M996 TOW MISSILE	232	26OCT90	
CARRIER, M1025 ARMAMENT, BASIC ARMOR	232	26OCT90	
CARRIER, M1026 ARMAMENT, BASIC ARMOR	232	26OCT90	
CARRIER, M1036 TOW MISSILE, BASIC	232	26OCT90	
CARRIER, M1043 ARMAMENT, SUPPLEMENTAL	232	26OCT90	
CARRIER, M1044 ARMAMENT, SUPPLEMENTAL	232	26OCT90	
CARRIER, M1045 TOW MISSILE, SUPPLEMENTAL	232	26OCT90	
CARRIER, M1046 TOW MISSILE, BASIC	232	26OCT90	
VEHICLE, FIRE DIRECTION CONTROL CENTER (FDCV) (A)	3,382	21MAY86	

CATEGORY VIII - AIRCRAFT, SPACECRAFT AND ASSOCIATED EQUIPMENT

AIRCRAFT

767 AWACS (AF)	8,700,000	11AUG92	
BASIC CONFIGURATION (\$6,900,000)			
INFORMATION SYSTEM,			
JTIDS (\$1,600,000)			
RADIO, HAVE QUICK (\$200,000)			
A-NET SYSTEM			
A-4A (N)	15,165	20OCT83	
A-4B (N)	12,864	20OCT83	
A-4C (N)	15,523	20OCT83	
A-4E (N)	27,929	20OCT83	
A-4F (N)	33,226	20OCT83	
A-6 (N)			(D)
A-7 (W/O FLIR) (N)	243,881	08SEP83	
A-10 (W/O TF-34 ENGINE) (AF)	388,786	12MAR82	
A-37 (AF)	19,651	28MAR89	(B)
AV-8B HARRIER (W/O UK ASSESSMENT) (N)	867,373	26JUN81	
C-5A GALAXY (AF)	12,661,728	12MAR82	
C-130 HERCULES W/4 T-56 ENGINES (AF)	102,520	03AUG83	
C-141A/B STARLIFTER (AF)	892,254	12MAR82	

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 7 of 14)

E-2B (W/ENGINES) (N)	298,400	22JUN89	
E-2C (N)	2,625,904	18MAY78	
E-3 AWACS (AIRBORNE WARNING AND CONTROL SYSTEM) (AF)			
ENHANCEMENTS (SPECIAL RECOUPMENT, EXP. 01JUL94)	461,797	28SEP90	
MEMORY UPGRADE MODIFICATION	1,674,841	08NOV89	
E-3A SENTRY, US/NATO STANDARD (AF)	33,021,000	26OCT81	
(TOTAL US NC CHARGE \$27.43M; TOTAL NATO NC CHARGE \$5.59M)			
EA-6 (N)			(D)
F-4A (N)	129,712	20OCT83	
F-4B (N)	70,450	20OCT83	
F-4J (N)	122,089	20OCT83	
F-4E (N) (W/ ENGINES)			
(25% DISCOUNTED FOR USEFUL LIFE) (N)	159,408	20OCT83	
F-4G WILD WEASEL (MOD ONLY) (AF)	667,241	12MAR82	
F/RF-5A TIGER (W/O 2 J-85 ENGINES) (AF)	40,000	01NOV71	
F/RF-5E TIGER II (W/O 2 J-85 ENGINES)(AF)	68,000	01NOV71	
F/RF-5F TIGER II (W/O 2 J-85 ENGINES) (AF)	207,000	25NOV75	
F-8 CRUSADER (N)	56,859	12MAY81	
F-14 (W/ENGINE) (N)	1,600,000	29NOV76	
F-15A/B EAGLE (W/O ENGINES, AN/APG-63 RADARS, MSIP, & TEWS) (AF)	1,849,611	05FEB92	
F-15C/D EAGLE (W/O ENGINES, AN/APG-63 RADARS, MSIP, & TEWS) (AF)	1,897,460	05FEB92	
F-15E EAGLE (W/O ENGINES, AN/APG-63 RADARS, MSIP, & TEWS) (AF)	3,938,594	05FEB92	
F-16 A/B FIGHTING FALCON (W/O EPG SPECIAL NC \$85,000) (AF)	640,000	04JUN80	
F-16C/D (W/ ENGINES) (AF)	1,018,050	24FEB89	
F-18 Airframe (N)	1,117,281	30MAR87	
F-20 (AF)	941,504	30MAR87	
F-100A (AF)	37,840	06DEC84	
F-100C (AF)	25,800	06DEC84	
F-100D (AF)	25,440	06DEC84	
F-100F (AF)	27,840	06DEC84	
F-101B/F (AF)	65,560	06DEC84	
F-102 (AF)	38,320	06DEC84	
F-104A STARFIGHTER (AF)	42,080	06DEC84	
F-104B/C/D (AF)	91,040	06DEC84	
F-104G/J (AF)	54,360	27NOV87	
F-105B THUNDERCHIEF (AF)	168,000	06DEC84	

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 8 of 14)

F-105D/F (AF)	78,400	06DEC84	
F-106A/B DELTA DART (AF)	159,200	06DEC84	
F-111A/C/D/E/F (AF)	605,320	06DEC84	
KC-10 EXTENDER (AF)	1,176,667	12MAR82	
KC-135A STRATOTANKER (AF)	217,034	12MAR82	
OV-1A/B/C MOHAWK (A)	119,229	23JUN82	
OV-10 (W/O ENGINE) (N)	41,930	09JAN78	
P-3A/B (W/ENGINE) (N)	382,750	03JAN78	
P-3C (N)	592,219	03JAN78	
AEW&C	1,761,974	25FEB87	
UPDATE III	1,044,128	17MAY89	
RF-4B (N)	104,566	20OCT83	
RF-4C PHANTOM (AF)	108,000	06DEC84	
S-2 (W/ENGINE) (N)	85,449	28AUG81	
S-2A/US-2 (W/O ENGINE) (N)	18,987	20OCT83	
S-2C (W/O ENGINE) (N)	23,497	20OCT83	
S-2D (W/O ENGINE) (N)	38,448	20OCT83	
S-2E (W/O ENGINE) (N)	35,950	20OCT83	
S-3A VIKING (N)	3,502,643	26JUN81	
T-2 (N)	39,968	10JAN78	
TA-4F (W/O ENGINE) (N)	28,110	20OCT83	
TA-4J (W/O ENGINE) (N)	51,176	20OCT83	
T-33A (AF)	2,857	12MAR82	
T-37 (AF)	19,651	28MAR89	(B)
T-38A (AF)	80,972	12MAR82	
TH-55 OSAGE (A)	6,000	11JUN87	
VEHICLE, REMOTELY PILOTED (RPV)			
ACQUILA (A)			(D)

HELICOPTERS

AH-1J AIRFRAME, SEACOBRA (N)	52,245	11OCT85	
AH-1S COBRA (W/T-53-L-703 ENGINE) (A)	147,604	17MAY89	
(W/T-53-L-703 ENGINE, M65 AIRBORNE TOW MISSILE AND C-NITE SYSTEM)	163,860	17MAY89	
AH-1T AIRFRAME, SEACOBRA (N)	486,665	11OCT85	
AH-1W SUPER COBRA (W/2 T-700-GE-401 ENGINES) (N)	326,461	18JUN90	*
AH-64 APACHE (W/2 T-700 ENGINES) (A)	1,045,566	30DEC83	
CH-47A/B/C (INCLUDES T-53-L-11A ENGINE) (A)	100,000	07NOV70	
CH-47D CHINOOK (W/O T-55 ENGINES) (A)	144,279	07AUG91	
CH-53E/MH-53E (W/O T-64 ENGINE) (N)	1,023,079	12MAY83	
H-3E (N)			(D)
H-46 (N)			(D)
H-53 (S-65) (N)	166,029	27FEB79	
OH-6 CAYUSE	18,000	11JUN87	
OH-58A KIOWA (A)	22,000	11JUN87	

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 9 of 14)

OH-58C KIOWA (A)	48,000	11JUN87	
OH-58D KIOWA			
(W/MAST MOUNTED SIGHTS) (A)	663,082	10AUG93	(A)
SH-2D/2F LAMPS, MARK I			
(W/2 T-58-GE ENGINES) (N)	325,423	06DEC84	
SH-2G (W/2 T-700-GE-401 ENGINES) (N)	607,149	03JUN91	
SH-60B AIRFRAME (N)	689,944	15OCT82	
(LAMPS, MARK III AIRFRAME			
W/O T-700-GE-401 ENGINES)	859,636		
MINIMUM AVIONICS SUITE	366,236		
MISSION AVIONICS SUITE	1,063,400		
SHIP ELECTRONICS	1,131,227		
TH-55 OSAGE	6,000	11JUN87	
UH-1H IROQUOIS (A)	4,501	01MAY81	
UH-1N (N)	48,032	12JUL85	
UH-60A BLACKHAWK AIRFRAME (A)	169,692	03OCT81	

ENGINES

CFM-56 (AF)	20,000	25MAY89	
CFM-56 ENGINE INTEGRATION, E-3 (AF)			
(SPECIAL RECOUPMENT, EXP. 01JUL94)	3,257,810	28SEP90	
CT7-2A/2D (N)	29,697	21DEC88	
CT7-5A/7A (N)	25,777	21DEC88	
CT7-6/9 (N)	9,236	21DEC88	
F100-PW-100/200 ALTERNATE FIGHTER			
ENGINE (AFE) (AF)	284,001	27JAN92	
F100-PW-220 ALTERNATE FIGHTER			
ENGINE (AFE) (AF)	364,783	27JAN92	
F100-PW-229 INCREASED PERFORMANCE			
ENGINE (IPE) (AF)	637,802	27JAN92	
F101 (AF)			(D)
F101X (AF)			(D)
F107 (N)			(D)
F-109-GA-100 TURBOFAN (AF)	86,546	14MAY91	
F110-GE-100 ALTERNATE FIGHTER			
ENGINE (AFE) (AF)	364,783	27JAN92	
F110-GE-129 INCREASED PERFORMANCE			
ENGINE (IPE) (AF)	637,802	27JAN92	
F404 (N)	63,840	30MAR87	
F404-GE-400/402	164,222	09OCT92	(A)
J47 (AF)	2,168	12MAR82	
J52P-6A/B (N)	7,370	08SEP83	
J52P-8A/B (N)	30,658	08SEP83	
J52P-408 (N)	33,106	08SEP83	
J57P-6B (N)	4,600	08SEP83	
J57P-10 (N)	4,120	08SEP83	
J60P-3/3A (N)	2,520	08SEP83	
J75 (AF)	28,999	12MAR82	
J79-GE-8/10 (N)	6,400	08SEP83	
J79-GE-17/17A/119 (AF)	27,464	01OCT83	

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 10 of 14)

J85 (AF)	17,901	23MAR83	
RM-12	110,029	09OCT92	(A)
T33-P-100 (AF)			(D)
T53 (N)	1,542	07MAY81	
T53-L-703 (A)	2,220	17MAY89	
T55 (A)	3,200	06NOV70	
T56 (AF)	13,313	12MAY83	
T58 (N)	20,045	11JUN87	
T64 (N)	38,578	12MAY83	
T700-GE-700 (A)	29,697	21DEC88	
T700-GE-401 (NC ADDITIVE TO T700-GE-700 ENGINE) (N)	78,039	15OCT83	
T700-GE-401/401A (N)	29,697	21DEC88	
T700-GE-401C (N)	25,450	21DEC88	
T700-GE-701/701A/701A1 (A)	29,697	21DEC88	
T700-GE-701C (A)	25,450	21DEC88	
TF30 (N)	43,866	20JUN79	
TF34 (N)	20,705	12MAR82	
TF39 (AF)	441,707	12MAR82	
TF41-A-2A/2B/400/402/402B (N)	48,249	06DEC84	

CATEGORY IX - MILITARY TRAINING EQUIPMENT

NO ITEMS IN THIS CATEGORY ARE DEFINED IN THE US MUNITIONS LIST AS SIGNIFICANT MILITARY EQUIPMENT.

CATEGORY X - PROTECTIVE PERSONNEL EQUIPMENT

NO ITEMS IN THIS CATEGORY ARE DEFINED IN THE US MUNITION LIST AS SIGNIFICANT MILITARY EQUIPMENT.

CATEGORY XI - MILITARY AND SPACE ELECTRONICS

CENTER, AN/TYQ-23, TACTICAL AIR OPERATIONS (TAOC) (N)	198,000	17MAY89	
CENTER, TAOC-85, TACTICAL AIR OPERATIONS (N)			(D)
CENTER, MODULAR TACTICAL COMMUNICATIONS (MTCC) (A)			(D)
CENTER, TACTICAL FLAG COMMAND (N)			(D)
COMMUNICATION, AN/TSC-86 SATELLITE (SATCOM) GROUND SYSTEM (AF)			(D)
COUNTERMEASURE, AN/ALQ-119 (AF)	6,138	09DEC75	
COUNTERMEASURE, AN/ALQ-126, SPJ SYSTEM (N)	26,631	05JUN85	
COUNTERMEASURE, AN/ALQ-131 (W/RECEIVER) (AF)	26,970	28SEP79	
COUNTERMEASURE, AN/ALQ-131 (W/O RECEIVER) (AF)	24,108	28SEP79	
COUNTERMEASURE, AN/ALQ-165, ASPJ (N)	111,425	06DEC84	

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 11 of 14)

COUNTERMEASURE, AN/SLQ-32(V)1 (N)	115,000	25APR86	
COUNTERMEASURE, AN/SLQ-32(V)2 (N)	250,350	25APR86	
COUNTERMEASURE, AN/SLQ-32(V)3 (N)	381,803	25APR86	
COUNTERMEASURE, TORPEDO EX SET 1 SYSTEM (N)			(D)
ELECTRONIC WARFARE SUPPORT, TACTICAL (TEWS) SYSTEM (AF)	225,434	05FEB92	
EQUIPMENT, VERSATILE AVIONICS SHOP TEST (VAST) (AN/USM-247(V) (N)			(D)
INFORMATION SYSTEM, JOINT TACTICAL, INFORMATION DISTRIBUTION SYSTEM (JTIDS) (AF)	1,600,000	11AUG92	(A)
INFORMATION SYSTEM, OCEAN SURVEILLANCE (OSIS), BASELINE UPGRADE (OBU) (N)	6,551,852	27JAN92	
OSIS, REMOTE GRAPHIC WORKSTATION	5,874,074	27JAN92	
MAPPING SYSTEM, MK90 DIGITAL (DMA)	35,102,998	18MAY89	
DATA EXTRACTION MODULE	324,248		
DATA SERVICES MODULE	34,254,561		
PRODUCT GENERATION MODULE	91,898		
SOURCE PREPARATION MODULE	432,291		
POSITIONING SYSTEM, NAVSTAR GLOBAL (GPS) (AF)	1,000	28OCT87	
RADIO, AN/ARA-54 (A)	40	28MAR89	
RADIO, AN/PRC-119 SINCGARS (A)	803	26JAN90	
RADIO, AN/TRC-170 (AF)	60,622	15FEB84	
RADIO, AN/VRC-12 SERIES (12, 43 THROUGH 49) (A)	70	15FEB84	
RADIO, AN/VRC-87 THROUGH 92 SINCGARS (A)	803	26JAN90	
RADIO, RT-1439 RECEIVER/TRANSMITTER (A)	296	26JAN90	
RADIO, HAVE QUICK A-NET SYSTEM (AF)	200,000	11AUG92	(A)
SONAR, AN/SQQ-32 MINE HUNTING	1,562,124	13OCT92	(A) *
SONAR, AN/SQR-18A (N)	267,069		
SONAR, AN/SQR-18A(V)1 (N)	601,837	24MAY84	
SONAR, AN/SQR-19, COMPLETE SYSTEM (N)	1,756,900	21MAR90	
SHIPBOARD ELECTRONIC SYSTEM (SES)	1,071,800	21MAR90	
TOWED ARRAY GROUP (TAG)	359,400	21MAR90	
SONAR, AN/SQS-56 (N)	173,193	19JUL88	
SONAR SYSTEM, AN/UQQ-2(V)1 SURTASS (COMBINED SHIP AND SHORE SYSTEM) (N)	3,029,374	28AUG89	
SONAR SYSTEM, AN/UQQ-2(V)1 SURTASS, SHIPBOARD SYSTEM (N)	1,785,000	28AUG89	
TELEPHONE, AN/TTC-38, CENTRAL (A)			(D)
TELEPHONE, AN/TTC-39 (A)			(D)
TELEPHONE, AN/TTC-42, UNIT LEVEL CIRCUIT SWITCH (N)			(D)

**CATEGORY XII - FIRE CONTROL, RANGE FINDER, OPTICAL AND
GUIDANCE AND CONTROL EQUIPMENT**

FIRE CONTROL, AN/GSG-10 DIRECTOR,
TACFIRE (A)

740,331

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 12 of 14)

FIRE CONTROL, AN/GSG-11 DIRECTOR, TACFIRE (A)			(D)
FIRE CONTROL, MK1A COMPUTER (N)			(D)
FIRE CONTROL, MK25 RADAR (N)			(D)
FIRE CONTROL, MK37 GUN SYSTEM (N)	24,800	06DEC84	
FIRE CONTROL, MK51-2 DIRECTOR (N)			(D)
FIRE CONTROL, MK56 GUN SYSTEM (N)	15,400	06DEC84	
FIRE CONTROL, MK68 GUN SYSTEM (N)	60,000	06DEC84	
FIRE CONTROL, MK74 MOD-4 MISSILE SYSTEM (MFCS) (N)			(D)
FIRE CONTROL, MK86 GUN SYSTEM (N)			(D)
FIRE CONTROL, MK92 MISSILE SYSTEM (MFCS) (N)			(D)
FREQUENCY, AN/TSC-85 AND AN/TSC-93 SUPER HIGH (SHF) SYSTEM, MULTICHANNEL			(D)
GUIDED BOMB UNIT, GBU-10/12 (AF)	203	15JUN87	
GUIDED BOMB UNIT, GBU-15 (AF)	12,528	11MAY81	
GUIDED BOMB UNIT, GBU-16 (AF)		(D)	
LANTIRN NAVIGATION AND TARGETING SYSTEM (AF)			
NAVIGATION POD, AN/AAQ-13	217,453	18MAY89	
TARGETING POD, AN/AAQ-14	201,057	18MAY89	
MANPACK, AN/PSC-1 AND AN/PSC-7 SINGLE CHANNEL UHF SYSTEM (A)			(D)
MANPACK, AN/PSN-6 LOREN			(D)
MISSION PAYLOAD SUBSYSTEM (MPS) DAYLIGHT (A)			(D)
MISSION PAYLOAD SUBSYSTEM (MPS) FORWARD LOOKING INFRARED (FLIR) (A)			(D)
NIGHT VISION, AN/PVS-5 GOGGLES (A)			(C)
NIGHT VISION, AN/PVS-7A/B GOGGLES (A)	50	19JUN91	
POSITION LOCATION REPORTING SYSTEM, (PLRS) (A)	11,775,783	30NOV88	
BASIC USER UNIT, RT-1343/TSQ-129	41,298		
MASTER STATION, AN/TSQ-129	1,179,261		
RADAR, AN/APG-63 (AF)	410,407	28MAR89	
RADAR, AN/APG-65 (F-18) (N)	29,471	30MAR87	
RADAR, AN/APG-65 (EPA MOU ONLY)	23,543	21APR89	
RADAR, AN/APG-66 (F-16A/B) (AF)	30,400	12APR84	
RADAR, AN/APG-68 (F-16C/D) (AF)	101,120	12APR84	
RADAR, AN/APS-138 (AN/APS-145) ANTENNA (N)	162,047	25FEB87	
RADAR, AN/APS-145 (N)	1,078,582	25FEB87	
RADAR, AN/AWG-9 PHOENIX (N)	338,403	28MAR89	(B)
RADAR, AN/FPS-117 (AF)	883,053	20APR89	
RADAR, AN/FPS-118, OVER-THE-HORIZON BACKSCATTER (OTH-B) (AF)	93,682,000	07JUN91	
PRIME SECTOR	89,098,000		
SECOND SECTOR	3,534,000		
THIRD SECTOR	1,050,000		
RADAR, AN/MPS-39 MULTIPLE OBJECTS TRACKING RADAR (A)	320,471	21JAN93	(A)

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 13 of 14)

RADAR, AN/SPS-40B (N)	216,746	07MAY82	
RADAR, AN/SPS-46 (N)			(D)
RADAR, AN/SPS-48E (N)			(D)
RADAR, AN/SPS-49(V)1-4 (N)	143,460	12APR90	
AN/SPS-49(V)5	149,146	12APR90	
AN/SPS-49(V)6	143,460	12APR90	
AN/SPS-49(V)7	149,146	12APR90	
RADAR, AN/TPQ-36 (A)	252,968	05JUL91	
RADAR, AN/TPQ-37 (A)	920,149	05JUL91	
RADAR, AN/TPS-43 (W/BASIC ANTENNA) (AF)	27,462	05FEB86	
RADAR, AN/TPS-63 (USMC BASELINE) (N)	45,557	07MAY87	
RADAR, AN/TPS-71 RELOCATABLE OVER THE HORIZON (ROHTR) (N)	15,076,923	20APR90	
SIGHT, MAST MOUNTED (A)	209,265	10AUG93	(A)
SYSTEM, MARINE INTEGRATED FIRE AND AIR SUPPORT SYSTEM (MIFASS) (N)			(D)
TARGET ACQUISITION, MK23 MOD-0/8, SYSTEM (TAS) (A)			(D)
TARGET ACQUISITION DESIGNATION SIGHT (TADS) (A)	202,591	30DEC83	
TARGET DESIGNATOR, AN/AVQ-26 LASER PAVE TACK (AF)	643,071	11JUN87	
TERMINAL, AN/GSC-39(V) DSCS MEDIUM (A)			(D)
TERMINAL, LIGHT FOR AN/TSC-86 (A)			(D)
TERMINAL, SINGLE SUBSCRIBER (SST) (A)			(D)
WEAPON SYSTEM, MK7, AEGIS, (W/O STANDARD MISSILE AND MK41 VERTICAL LAUNCH SYSTEM) (N)	16,288,000	25FEB87	
WEAPON SYSTEM, CLOSE IN (CIWS), PHALANX (NC IS PER GUN MOUNT) (N)	287,842	28OCT78	

CATEGORY XIII - AUXILIARY MILITARY EQUIPMENT

NO ITEMS IN THIS CATEGORY ARE DEFINED IN THE US MUNITIONS LIST AS SIGNIFICANTLY MILITARY EQUIPMENT.

NOTES

- A. NEW SINCE 12AUG92.
- B. THE EFFECTIVE DATE OF 28MAR89 HAS BEEN ASSIGNED TO ITEMS WHERE ONE CHARGE EXISTS WITHOUT AN EFFECTIVE DATE IDENTIFIED
- C. NO CHARGE
- D. IF THERE HAS BEEN AN INVESTMENT IN NONRECURRING COST AND THE CALCULATION OF THE CHARGE HAS NOT BEEN COMPLETED AND A SALE IS PENDING, CONTACT DSAA TO OBTAIN THE REQUIRED CHARGE.
- E. FOR OLDER SHIP DESIGN, A PERCENTAGE CHARGE (3.5%) FOR RECOUPMENT OF NONRECURRING COST WILL BE ESTABLISHED AT A TIME OF ACTUAL DEMAND FOR FMS OR COMMERCIAL SALE PROPOSALS.

TABLE 700-6. Major Defense Equipment List (MDEL) (Page 14 of 14)

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(2) Termination liability, to cover the financial liability of the USG should the contract be terminated.

3. TLWs are not required for CLSSA, BO, source code "S", or "Cash with Acceptance" LOAs.

4. IAs will attach two copies of the TLW with the cover letter forwarding the LOA package to DSAA COMPT FMSCRD for countersignature. FMSCRD will provide one copy to COMPT FMD and the other to DFAS-DE/I (SAAC) with the advance copy of the LOA. DFAS-DE will ensure the TLW is retained after the Purchaser signed copy of the LOA is received. The TLW must be loaded into DIFS prior to implementation. For any LOA, Amendment, or Modification exempt from countersignature, IAs should provide TLW copies to DSAA COMPT and SAAC.

G. Countersignature. Unless specifically exempted (e.g., LOA Amendments and Modifications exempted in Section 804), all LOAs, Amendments, Modifications, and LOIs require DSAA countersignature. Those exempted will show, in the countersignature block, the pertinent SAMM section or other authority for exemption.

1. Upon finalization, or five days prior to the expiration of the Congressional review period for AECA Sec 36(b) notifications, IAs will forward the signed original documents plus two copies (three when FMF or MAP funded) to DSAA. DSAA COMPT will forward all submissions to DSAA Operations for coordination.

2. Subsequent to countersignature, DSAA COMPT will return the original to the IA for processing to the prospective Purchaser; forward a copy to SAAC with the TLW if applicable; and retain a copy in order to enter appropriate information into the DSAA FMS data base.

H. Automated Case Approval System (ACAS). ACAS is designed to expedite DoS ** clearance for certain LOAs, amendments, and modifications. If a case does not require clearance by DoS, ACAS processing is not applicable.

1. ACAS will not be used for defined line LOAs, amendments, and modifications, other than for training; LOAs, amendments, or modifications included in AECA Sec 36(b) notifications; offering SDAF, EDA, or TDPs; or cases involving FMF, including residual MAP merger, or third country financing; LOAs with waived costs (except where previously approved); country-cash financing by El Salvador, Greece, Honduras, Japan with dual payment schedules, Jordan, Kuwait basic cases, Pakistan, Saudi Arabia, Taiwan, or Turkey.

2. With exception of exclusions listed above, and following DoS approval, IAs may issue to the Purchaser ACAS-processed BO, CLSSA, and defined line training LOA documents. This includes basic LOAs, amendments with an overall dollar value increase; concurrent notices of modification; and scope increases, irrespective of dollar value. For hardware cases where costs are increased by \$13M or more, a statement must be included that "this case contains no MDE." When services involving travel to the recipient country (such as a TAFT) are included, a statement must show "this case contains no PCS personnel." These statements, when appropriate, should follow the item description.

3. IAs should annotate the LOA on the DSAA countersignature line "SAMM 70103.H." The DSAA countersignature line date should reflect the date of DoS approval or later.

4. The IAs will provide one copy of each LOA issued to a foreign government or international organization, along with applicable termination liability worksheets (TLWs) to DSAA/COMPT-FMPD and DFAS.

70104 PREPARING THE LETTER OF OFFER AND ACCEPTANCE. A sample completed LOA is included in Table 701-1. Information which is not part of the basic format is bracketed and in bold type for emphasis (brackets should be excluded, and normal type used, in actual LOAs). The following guidance also applies.

A. LOAs reported under AECA Sec 36(b) will include at the end of Terms of Sale on page one the DSAA transmittal number used in the statutory Congressional notification (e.g., Congressional notification 92-15).

B. An expiration date of 85 days (25 days for additional administrative processing and 60 for country review) following IA signature should be used. A note should explain any instances when the Purchaser will have less than 60 days for review; for example, where the Purchaser requested expedited shipment or the quote is contingent on award by a certain date.

C. The blank entry in "This page through page ____ attached are,.." will be the total pages of the LOA, excluding the Standard Terms and Conditions and courtesy Information.

D. The LOA should be signed for the US prior to forwarding to DSAA for countersignature or, when applicable, directly to the requestor. The US Signature is an authorized IA representative. The date is the day, month, and year the LOA is forwarded.

E. The Items to be Supplied information should show the following--

1. The LOA will contain a separate line for each article that is measured in units (U/I "EA" in Section 1503). For LOAs with more than one significant article or service, number each consecutively, normally grouping items and support from most to least substantial (e.g., determined by line dollar value, sequence of phased execution, or other organized breakout). Sub-lines may be used to the extent they are compatible with MASL breakout and reporting by generic code identification.

2. The LOA will group dollar-denominated items (U/I "XX" or blank), such as spare parts and training, to the extent that common generic codes apply (e.g., tool kits with identical generic codes should be under a single line).

3. Item Description/Condition must include the correct Generic Code and MASL line data (Section 1503), NSN or part number, MDE(Y)/non-MDE(N) code, a description of the articles or services, and the condition code or reference to a note in which the condition will be shown.

a. References to other information within the LOA may also be included; for example, for weapons systems, the reference may relate to an attachment to the LOA which will include descriptive information for individual items grouped generically in the item description column.

b. When EDA are sold under the AECA and included in an LOA line, "Excess Defense Articles. Acquisition Value is \$ _____" must be at the bottom of the item description for that line.

4. If all line items cannot be listed on the second page of an LOA, show only the program total and list the remaining items on continuation sheets.

F. Quantity, Unit of Issue, and Unit and Total Costs information should be entered, as applicable. Source Code, Months (availability following acceptance), Type of Assistance (TA) or Training Notes, Offer Release Code, and Delivery Term Code entries are discussed in LOA

Information (Table 701-1). When more than one code applies, "Note ____" should be shown and an explanatory note should be included in the LOA.

G. Where the unit or extended price exceeds \$100, cost information may be rounded to the nearest whole dollar. Charges other than those below should be detailed in a note.

1. Net Estimated Cost is the estimated articles and services costs, which should not include administrative or assessorial charges.

2. Charges for Packing, Crating, and Handling; Administrative Charge; and Supply Support Arrangement are based on percentages in the FMR.

H. Terms of Sale are based on Paragraph 130104.C (Cash, FMS Credit, FMS Credit Non-Repayable, or MAP). The IA should enter the type and amount of funds. DSAA will adjust the type and amount of funds at the time of countersignature, consistent with availability of funds, or return the LOA to the IA for repricing as required. In order to reduce prices charged to MAP or FMS Credit Non-Repayable, the IA should advise recipients to use these funds to wholly finance LOAs which include NC or military pay costs.

I. "Initial Deposit" will be shown in lieu of the date as the first entry under Payment Date, with the amount under Quarterly and Cumulative.

70105 ADDITIONAL CONSIDERATIONS. The following subparagraphs are aligned to the column "Supplementary Information for Letters of Offer and Acceptance" in Table 701-3. The Checklist shown in Table 701-4 may be used at the option of the IA.

A. **Shipments.** See Section 802 for additional transportation information and Tables 701-5 and 701-6 for additional transportation terms and conditions. See Chapter 5 for export licensing and customs clearances.

1. FMS recipients must have the continuing capability to transport their materiel. Any use of DTS, to include related terms and conditions for movement, must be stated in the LOA. DBOF items; firearms; explosives; lethal chemicals; other hazardous materiel, air cargo that exceeds commercial capability; and, occasionally, classified materiel are moved within DTS.

2. Other use of DTS must be approved by DSAA and OUSD(A&T) on a case-by-case basis. Each request to allow special use of DTS must be supported with a statement that shows projected tonnage, special transportation requirements, and other relevant information that would justify the commitment of DoD transportation assets. Upon approval, the extent of the authorization must be shown in the LOA.

3. For items not routinely shipped via DTS, the normal method of movement of FMS materiel is by commercial carrier to the freight forwarder designated by the Purchaser. Offer Release, Delivery Term, Mark For, and Freight Forwarder codes help the USG and Purchaser understand that materiel will be shipped by collect commercial bill of lading to freight forwarders or as coded based on DoD 4140.17-M. DoD 4000.25-8-M (MAPAD) should be used to guide Purchasers to provide Mark For and Freight Forwarder codes.

4. Procedures above also apply to repair and return. The IA should assure that the LOA for the repair and return of materiel provides, when possible, a Purchaser schedule for returns and a CONUS address for return of each item.

5. The FMS Purchaser must advise whether aircraft will be delivered by commercial ferry service (arranged by the customer), DoD ferry, or surface transportation. LOAs will contain the stipulation that delivery will be made only under one of the following conditions:

a. In the event flight delivery of the aircraft is desired by the Purchaser, the aircraft must be placed in safe condition consistent with established standards of the military service of origin or FAA. Required maintenance may be done through negotiation with the IA or FAA certified facility, and costs will be borne by the Purchaser. Aircraft will be released for flight only after an inspection by the service or FAA, as appropriate, has determined that standards have been met. Table 701-5 shows examples of terms and conditions for aircraft ferrying, which may be amplified to comply with specific requirements.

b. Aircraft not to be restored to the criteria above will be sold with the understanding that they will be delivered to destination by surface transportation only.

B. Delivery Schedule. The MOS (months) entry on the LOA provides the estimated leadtime from the date of LOA acceptance to the date of delivery. A schedule of estimated in-country or CONUS equipment deliveries by month will be provided for major end items. When, due to Purchaser request or to meet program scheduling needs, items are not to be delivered earlier than a specified date, this should be shown on the LOA.

C. Personnel Movement. Coordination of actions necessary to select and schedule personnel travel required to provide services under the LOA is normally completed concurrent with other steps taken to complete the program.

D. Qualifications Regarding Validity of Data. Deviations from the LOR, extraordinary reservations concerning the price quoted, and the extent to which either the price or availability is dependent on action to be taken by the USG (e.g., selection of equipment for US forces) are examples where further explanation should be included.

E. PCS and TDY Clearance With US Chief of Mission. The IA will notify the SAO by message of any requirements for assignment of PCS (but not TDY) personnel to Purchaser country, including projected start date and duration, number by rank or grade and specialty, and in-country location. DSAA Operations, the unified command, SecState (FMP/MP and PM/DRSA), and the embassy will be information addressees. The SAO will coordinate with the US chief of mission and report PCS personnel support cost data, as well as obstacles to their acceptance or support, to the IA. The IA will include PCS personnel support costs in the LOA and will advise of the PCS requirement and of any support problems in the cover letter when the LOA is submitted to DSAA for countersignature. LOAs which include PCS or TDY personnel should specify, to the extent known:

1. The number of personnel who will perform the task.
2. Planned dates of arrival and departure.
3. In-country destination and "home station."
4. Extent of in-country travel required.

F. Personnel Protection and Related Costs. For the purpose of performing services outside the US, "US personnel" as discussed below and in Table 701-7 pertains to personnel involved in the performance of actions under the LOA.

1. In carrying out LOA programs, it is desirable that US personnel operate to the extent possible in safety and immunity in US-type conditions. A government-to-government SOFA is commonly used for acquiring safety and immunity for US personnel. Where the MILDEP General Counsel (GC) indicates a SOFA (see Table 701-8) or SOFA-like agreement exists, which is pertinent to the SA case at hand, that agreement may be referenced in the LOA and noted in the countersignature cover memo in order to highlight to DSAA that DSAA/DoD GC approval may be required.

2. The DoD GC has advised that inclusion of SOFA-like status provisions in an LOA requires that the LOA be staffed through DoD in accordance with procedures for staffing international agreements in DoDD 5530.3 (see Section 140103). Since these procedures are complex and require the development of specialized supporting documentation, inclusion of status provisions in LOAs should be avoided if possible. Status provisions will not normally be used to require compliance when authority to ensure compliance is outside the Purchaser's defense establishment. Individual situations should be brought to the attention of DSAA for coordination during LOA preparation.

3. Provisions for recouping costs associated with in-country duty (e.g., currency revaluation, unanticipated import/export charges) are covered in LOA Standard Terms and Conditions and do not normally require special LOA provisions. Where it is envisioned that failure by the Purchaser to abide by existing SOFA or other status provisions may result in increased costs associated with an FMS program, Table 701-7 shows sample terms and conditions and required Purchaser actions which can be used as a guide.

G. Separate MOU or Detailed Statement of Work (SOW). Major programs may call for an MOU or SOW, which should be referenced or attached to the LOA. For routine LOAs, a detailed SOW can be avoided by providing the following information:

1. Description of the nature of the service to be performed, together with its purpose;
2. Statement of where and how the service will be performed; and
3. Statement of the anticipated result when the service is completed, together with any information of which the Purchaser should be aware regarding USG reservations or qualifications as to the probable success of the project.

H. Schedule of Personnel Training. Defined line LOAs should include firm scheduling of personnel into specific training courses. When this is not feasible, LOAs should set forth training plans and schedules in general terms, and should show the need to define training needs at a later date. BO LOAs for training will include "notes" to explain the scope of coverage and methods for definitizing and requesting courses. LOAs must specify Purchaser responsibilities such as providing pay and allowances, housing, qualified students, and any required supervision thereof.

I. Logistics Information. This supplements Section 802.

1. LOAs will show the configuration of equipment being sold, but will furnish detailed equipment specifications only if required. Variations from standard USG configurations will be noted, together with risks which might be assumed as a result of the variance. The notes will highlight any purchase of a configuration contrary to that recommended by the USG.

2. LOAs will include any requirement for, and scheduling of, logistics conferences or other program management actions for the purpose of definitization. The costs of such conferences which occur prior to acceptance of the LOA can be funded from the Administrative

Budget Account Allocation of the IA, with reimbursement from the Program Management line of the LOA after it is accepted. Funding is discussed in Section 702. These actions pertain to approved programs and are distinguished from AECA Sec 26 survey teams (Section 401).

3. The IA will assure that at least a one-year supply of concurrent (initial) spare parts, through fourth echelon, at US peacetime usage rates, are included with equipment being offered. Such spare parts packages should be identified on the LOA by category and total value rather than by article.

4. For offers of MDE items, the Purchaser will be advised of the estimated period that USG repair parts support will be available.

5. If the Purchaser has requested that procurement of a particular item is to be provided from a single source, the designation will be addressed in the "notes" (see Section 80102).

6. Any USG intent to develop logistics or maintenance support plans will be specified.

7. The bases for logistics support costs will be specified. These should include the period of support of the initial spares package, operational deployment of equipment, level of maintenance to be accomplished by the Purchaser, number of maintenance sites, or other basis as applicable.

8. To ensure logistics support of weapons systems, the LOA should identify critical long-leadtime items which must be procured in advance of total program definitization.

9. Known limitations in condition must be shown using codes in Table 701-1 or in "notes". The LOA should specify that the cost of any rehabilitation is not included in the "as-is" price. The Purchaser should normally be invited to inspect, in advance of receipt of the LOA if possible, major items and substantial quantities of excess equipment being sold in "as-is" condition.

10. CLSSA and BO LOAs must show supported major items.

J. **Responsibility for Initiation of Requisitions.** The LOA will show which party is to initiate requisitions. If a Purchaser responsibility, the LOA will contain information to enable correct requisition initiation and routing.

K. **Payment Schedule Requirement.** Unless the initial deposit constitutes the total value of the LOA, each LOA financed under Terms of Sale Dependable Undertaking, Cash Prior to Delivery, FMS Credit, MAP, or any combination thereof will include a payment schedule. This payment schedule will show the calendar dates when each payment is required and the amount due on each calendar date. The total of these amounts will be equal to the amount reflected on the LOA "Total \$" line. An LOA for any Purchaser currently or anticipated to be approved for FMS funding will include the following note:

"If terms of sale specify payment under a Foreign Military Financing (FMF) agreement between the Purchaser and DoD, Purchaser will pay to the USG, on a dependable undertaking basis, such costs as may be in excess of the amount funded by the FMF agreement."

L. **Additional Notes.** Advice should be obtained from the IA legal office when special circumstances require an expansion of standard or supplemental indemnity clauses included in this Section.

1. **Ammunition and Other Explosives.** Offers for these items will include the following:

The USG is a self-insurer and, in this connection, your attention is invited to Standard Terms and Conditions 1.2 and 3.1. DoD shall employ the same inspection procedures for ammunition and other explosives as would be used in the procurement of these types of items for itself. Lot production of ammunition and other explosives, however, carries risks associated with the items' resultant performance. This risk is assumed by the USG in procurement for its own use, and this risk is also assumed by the Purchaser in procurement for its use under this Offer. Accordingly, financial restitution will not be made for claims made on SF 364 ROD (see Standard Condition 5.4) for deficiencies pertaining to these items unless such claims involve damage due to USG actions with respect to compliance with applicable inspection criteria and procedures, or USG actions with respect to packing, crating, handling, or transportation, or unless the USG can obtain equal restitution from its contractor.

2. **Patent Rights.** In the event that an individual, commercial entity, or foreign country should assert ownership of a foreign patent on an item to be sold under FMS, and there are reasonable grounds for the belief that a Purchaser may be subjected to a possible claim for infringement, DoD components, in coordination with DSAA, are authorized to make such a sale, provided a note is added advising the Purchaser of the existing allegation of a foreign patent right. The note should read substantially as follows:

(Name of individual, commercial entity, or foreign country, and address) has alleged rights in certain components of the (item) offered herein. In this connection, the Purchaser's particular attention is invited to Standard Condition 3.

3. **Security Assurances.** As appropriate, the following note should be included in LOAs:

a. For LOAs with NATO Commands or Agencies -

All US classified material or information (to include plans, designs, specifications, and technical data) provided under this Letter of Offer and Acceptance shall be protected as NATO classified information of an equivalent classification level in accordance with the policy and procedures contained in NATO Document C-M(55)15 (Final), 'Security Within the North Atlantic Treaty Organization'.

b. For Purchasers who propose to take custody of classified materiel in the US, and who comply with the provisions of Paragraph 50111.C.1, the IA will incorporate the transmission instructions (an alternative for shipment of classified materials) or the requirement for an approved transportation plan (see Table 503-4) into the security requirements of the LOA.

4. **Offset Administrative Costs.** All LOAs will contain the following note:

**

The DoD is not a party to any offset agreements/arrangements which may be required by the Purchaser in relation to the sales made in this LOA and assumes no obligation to administer or satisfy any offset requirements or bear any of the associated costs.

(When a contractor requests inclusion of offset administrative costs in the line item unit cost, see Section 140107.)

5. **Shipment Consolidation.** LOAs shall contain the following note when substantial shipment consolidation of the articles thereon is anticipated:

This is supplemental to LOA Standard Terms and Conditions provision 5.4. If the USG determines that delivery was delayed more than 90 days following passage of title due to shipment consolidation, the date of the shipment from the consolidation location may be used as the start point in determining the one year period for claim eligibility only.

6. **OT&E Incomplete.** If the LOA includes developmental systems which have not yet been approved for US production [i.e., Defense Acquisition Board full rate production, following successful final OT&E (Milestone 3.b), has not been approved], a note will be added which concisely summarizes the potential effects on the program if the system does not receive production approval.

7. **Environmental Hazards.** Add the following when unusual environmental ** hazards are expected as a result of the sale:

"There may be items included in this sale that require special skills or equipment for operation, maintenance, or disposal in a manner which will minimize environmental hazards. Purchaser should refer to [technical manual or other source data] for details."

8. **TOW-2B.** For each FMS offer of TOW 2B missiles, the applicable DSAA country ** director will be consulted regarding the need to add the following LOA note:

Physical Security and Accountability. The [SAO] will be permitted, at its discretion, to conduct an inspection and physical inventory of all missiles transferred under this LOA. Upon request, the inventory and accountability records maintained by the Purchaser will be made available to the US personnel conducting this inspection.

M. **Acceptance Process.** The Purchaser should sign the LOA and complete the Typed Name, Title, Agency, and Information to be Provided by the Purchaser portions. Copies should be forwarded to the IA and to DFAS-DE/I along with the required initial deposit before the expiration date.

1. Normally, the greater the period of time between Offer and Acceptance, the greater the likelihood of decreased accuracy of data. Requests for extension of the expiration date by the Purchaser will be honored only after a review by the IA. The Purchaser should be authorized to make any pen and ink change to the expiration date via message, with a copy to DFAS-DE/I. All concerned should be advised of the consequences of extension.

2. Pen and ink changes should be kept to a minimum, with processing as follows: **

a. Minor changes, made prior to implementation of a Modification or Purchaser signature of an LOA or Amendment, may be approved by the IA. This may include insignificant technical corrections such as a small arithmetic change which does not increase total value and administrative changes such as an address correction, initial deposit or payment schedule adjustment, or extension of the offer expiration date.

b. More significant changes, such as an increase in program scope (including a revision of the terms of sale or total costs), Modification changes other than those in paragraph a. above, and any change to an LOA or Amendment which has been signed by the Purchaser, require DSAA (through Compt-FMPD) concurrence. Changes initiated after a Modification has been implemented will normally be completed in another Modification versus a pen and ink change.

Changes initiated after LOA or Amendment Purchaser signature will normally be accomplished through a corrective Amendment implemented subsequent to the basic LOA or Amendment.

c. In conjunction with these changes, the IA must (1) formally confirm all authorized pen and ink changes, prior to the expiration date, to the Purchaser with a copy to document distribution addresses; (2) submit appropriate S3 transactions (Section 1500) for expiration date changes; (3) following acknowledgment of receipt of Modification or Purchaser signature of the LOA or Amendment, furnish those documents, altered by authorized pen and ink changes, to their distribution addresses; and (4) furnish revised TLWs (Para 70103) if applicable.

When an LOA or Amendment is signed by the Purchaser and returned to the IA with unauthorized pen and ink changes, it will normally be processed as a counter-offer. Re-statement and re-offer, or cancellation and a new LOA or Amendment, will be the routine courses of action.

3. When accepted, distribution will be made in accordance with instructions in the LOA.

4. Each SAO will immediately advise DSAA COMPT and the IA by priority message when the LOA has been accepted or rejected. When LOAs are accepted for a foreign country or international organization not served by an SAO, or where LOAs are often routinely signed without direct SAO involvement, the LOA will have an annotation requiring the signature authority to immediately notify DFAS-DE/I and the IA by message showing the acceptance date. If notice of acceptance is not received within ten calendar days after the expiration date, the LOA, even though accepted, may be cancelled.

N. Central FMS Transaction Processing Activities.

Army

Action Address -

Department of the Army
US Army Security Assistance Command
5001 Eisenhower Avenue
Alexandria VA 22333-0001
Messages - CDR USASAC Alexandria VA//AMSAC//

Information Address -

Headquarters, Department of the Army
Directorate for Security Assistance
Washington DC 20310-0512
Messages - DA WASHINGTON DC//DALO-SA//

Navy

Department of the Navy
Navy International Programs Office
Washington DC 20350-5000
Messages - NAVY IPO WASHINGTON DC

Air Force

Communications, Electronics, Aircraft, and Missile Systems -

Headquarters, US Air Force (SAF/IAX)
Washington DC 20330-1000

*

Follow-On Support -

Air Force Materiel Command
Air Force Security Assistance Center
Wright-Patterson AFB OH 45433-5000

Training -
Air Force Security Assistance Training Group
Randolph AFB TX 48150-5001

DLA

Excess Property -
Defense Reutilization and Marketing Service
74 N. Washington Street
Federal Center
Attn: DRMS-DPDS
Battle Creek MI 49016-3412
Messages - DLA CAMERON STA VA//DLA-SC//

Contract Administration Service (CAS) -
Defense Contract Management Area New York
International Logistics Office
201 Varick Street
New York NY 10014-4811
Messages - DCMAO NEW YORK NY//INTL LOG OFC//

Cataloging Services -
Defense Logistics Service Center
74 N. Washington Street
Federal Center
Attn: DLSC-FD
Battle Creek MI 49016-3412
Messages - DLSC BATTLE CREEK MI//DLSC/FD//

Cataloging Training -
Defense Logistics Agency
Attn: DLA-SC
Cameron Station
Alexandria VA 22304-6100

DMA

Defense Mapping Agency
Combat Support Center
Attn: PMSS
6001 MacArthur Boulevard, NW
Bethesda MD 20816-5001



United States of America

Letter of Offer and Acceptance (LOA)

[AT-P-BLZ]

Based on [AUSTDEF ltr 2/265 of 10 Apr 92]

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to [the Government of Australia, Office of the Naval Attache, 1601 Massachusetts Ave., NW, Washington, DC 20036] the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items," set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA is for [Standard Missile Block VI, support items, and services.]

Estimated Cost: [\$19,510,825] Initial Deposit: [\$19,360,450]
 Terms of Sale: [Cash prior to delivery/dependable undertaking.
 Congressional notification 92-17]

This offer expires on [22 July 1992]. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This page through page [4], plus Letter of Offer and Acceptance Standard Terms and Conditions attached, are a part of this LOA.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

_____ US Signature	[30 May 92] Date	_____ Purchaser Signature	_____ Date
[A. R. DiTrapani Director] _____ Typed Name and Title		_____ Typed Name and Title	
[Navy International Programs Office] _____ Implementing Agency		_____ Agency	
_____ DSAA	_____ Date		

Information to be provided by the Purchaser:

Mark For Code _____, Freight Forwarder Code _____, Purchaser Procuring Agency Code _____, Name and Address of the Purchaser's Paying Office _____

Explanations for acronyms and codes, and financial information, may be found in attached "Letter of Offer and Acceptance Information."

Items to be Supplied (costs and months for delivery are estimates):

[(1) Item Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs		(5) SC/MOS/ TA or Notes	(6) Ofr Rel Cde	(7) Del Trm Cde
			(a) Unit	(b) Total			
1.	B2D 141000STDMSYS(Y) 40 EA STANDARD MISSILE BLOCK VI (Note 1)		\$448,732	\$17,949,280	S(4) TA 3	Z	8
2.	B2D 141000STDCONT(N) CONTAINERS (Note 2)			347,631	X(4) TA 4	A	4
3.	M1B 020200M1SSLTA(N) TECHNICAL SERVICES (Note 3)			150,375	X(24) TA 4	A	4]
(8) Net Estimated Cost					\$[18,447,286		
(9) Packing, Crating, and Handling					231,800		
(10) Administrative Charge					553,419		
(11) Transportation					278,320		
(12) Other [specify when applicable]							
(13) Total Estimated Cost					19,510,825]		

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

ESTIMATED PAYMENT SCHEDULE

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
[Initial Deposit	\$19,360,450	\$19,360,450
15 Dec 92	21,483	19,381,933
15 Mar 93	21,482	19,403,415
15 Jun 93	21,482	19,424,897
15 Sep 93	21,482	19,446,379
15 Dec 93	21,482	19,467,861
15 Mar 94	21,482	19,489,343
15 Jun 94	21,482	19,510,825]

Signed Copy Distribution:

1. Upon acceptance, the Purchaser should return one signed copy of this LOA to Defense Finance and Accounting Service (DFAS), ATTN: DE/SAAC/F, Denver, CO 80279-5000. [Simultaneously, wire transfer of the Initial Deposit should be made to: United States Treasury, New York, NY, 021-030-004, DFAS/SAAC, Agency Code 3801, showing "Payment from Australia for AT-P-BLZ"; or, a check for the initial deposit should accompany the signed copy of the LOA or be sent simultaneously to DFAS, with a letter identifying the purchasing country and the LOA identifier.]

2. One signed copy plus a copy of the letter of transmittal forwarding payment to DFAS, or other evidence of payment, should be returned to [Department of the Navy, Navy International Programs Office, Washington, DC 20350-5000].

Questions may be directed to Mr. Baillie, Navy IPO 049, DSN 222-0704, CML (703) 692-0704.

LETTER OF OFFER AND ACCEPTANCE STANDARD TERMS AND CONDITIONS, attached following page [4], are a part of this LOA. The following terms and conditions also apply:

[Note 1. The configuration of the Standard Missile will be specified in NAVSEA Drawing Number 5246986-13. The missile and its components are classified. All missiles will be issued from stock in Condition Code A and configured with the MK 45 MOD 6 target detecting device. A listing of the exact configuration with ORDALTS and the remaining service life of each component, if applicable, will be provided prior to delivery. The dual thrust rocket motors have a remaining service life of ten years. USN assets will be replaced in kind from procurement. The estimated cost is based on the contract cost, including management of the replacement procurement. The expected delivery date is 30 November 1992.

Note 2. Containers are being provided for shipment and storage of item 1 defense articles based on documented requests from the Purchaser.

Note 3. This includes initial estimated USN or contractor engineering support related to the LOA such as performing technical reviews, analyzing firing data, and answering general technical queries. Specifics will be defined in program management meetings.

Note 4. The Offer expiration date allows less than the normal time for review in order to meet the contract award date for the replacement procurement.

Note 5. The Purchaser will be charged for the use of USG sponsored (Government Bill of Lading) transportation services for items which are classified Confidential or are explosive. This is effective for Offer/Release Code Z and Delivery Term Code 8 items. Items other than classified or hazardous will be shipped Collect Commercial Bill of Lading to applicable freight forwarders.

Note 6. The projected LOA closure date is March 2000.

Note 7. This LOA will be implemented under the Standard Accounting and Reporting System (STARS).

Note 8. The Purchaser may cancel this LOA upon request to the Implementing Agency; however, an administrative charge that equals one-half of the applicable administrative charge rate times the ordered LOA value, which is earned on acceptance, or the applicable administrative charge rate times the actual LOA value at closure, whichever is higher, may be assessed if cancelled after implementation.

Note 9. The USG is a self-insurer, and in this connection your attention is invited to Standard Terms and Conditions Section 5.3. The US Department of Defense shall employ the same inspection procedures for this ammunition as would be used in the procurement of this type of ammunition for itself. Lot production of ammunition, however, carries risks associated with the ammunition's performance. This risk is assumed by the USG in procurement for its own use, and this risk is also assumed by the Purchaser in procurement for its use under this LOA. Accordingly, financial restitution will not be made for claims made on SF 364, Report of Discrepancy (ROD) (see Standard Terms and Conditions Section 5.4) for ammunition deficiencies unless such claims involve damage due to USG actions with respect to packing, crating, handling, or transportation, or unless the USG can obtain equal restitution from its contractor.]

LETTER OF OFFER AND ACCEPTANCE STANDARD TERMS AND CONDITIONS

Section

- 1 Conditions – United States Government (USG) Obligations
- 2 Conditions – General Purchaser Agreements
- 3 Indemnification and Assumption of Risks
- 4 Financial Terms and Conditions
- 5 Transportation and Discrepancy Provisions
- 6 Warranties
- 7 Dispute Resolution

1 Conditions – United States Government (USG) Obligations

1.1 Unless otherwise specified, items will be those which are standard to the US Department of Defense (DoD), without regard to make or model.

1.2 The USG will furnish the items from its stocks and resources, or will procure them under terms and conditions consistent with DoD regulations and procedures. When procuring for the Purchaser, DoD will, in general, employ the same contract clauses, the same contract administration, and the same quality and audit inspection procedures as would be used in procuring for itself, except as otherwise requested by the Purchaser and as agreed to by DoD and set forth in this LOA. Unless the Purchaser has requested, in writing, that a sole source contractor be designated, and this LOA reflects acceptance of such designation by DoD, the Purchaser understands that selection of the contractor source to fill requirements is the responsibility of the USG, which will select the contractor on the same basis used to select contractors for USG requirements. Further, the Purchaser agrees that the US DoD is solely responsible for negotiating the terms and conditions of contracts necessary to fulfill the requirements in this LOA.

1.3 The USG will use its best efforts to provide the items for the dollar amount and within the availability cited.

1.4 Under unusual and compelling circumstances, when the national interest of the US requires, the USG reserves the right to cancel or suspend all or part of this LOA at any time prior to the delivery of defense articles or performance of defense services. The USG shall be responsible for termination costs of its suppliers resulting from cancellation or suspension under this section. Termination by the USG of its contracts with its suppliers, other actions pertaining to such contracts, or cessation of deliveries or performance of defense services is not to be construed as cancellation or suspension of this LOA itself under this section.

1.5 US personnel performing defense services under this LOA will not perform duties of a combatant nature, including duties relating to training and advising that may engage US personnel in combat activities outside the US, in connection with the performance of these defense services.

1.6 The assignment or employment of US personnel for the performance of this LOA by the USG will not take into account race, religion, national origin, or sex.

1.7 Unless otherwise specified, this LOA may be made available for public inspection consistent with the national security of the United States.

2 Conditions – General Purchaser Agreements

2.1 The Purchaser may cancel this LOA or delete items at any time prior to delivery of defense articles or performance of defense services. The Purchaser is responsible for all costs resulting from cancellation under this section.

2.2 The Purchaser agrees, except as may otherwise be mutually agreed in writing, to use the defense articles sold hereunder only:

- 2.2.1 For purposes specified in any Mutual Defense Assistance Agreement between the USG and the Purchaser;
- 2.2.2 For purposes specified in any bilateral or regional defense treaty to which the USG and the Purchaser are both parties, if section 2.2.1 is inapplicable; or,
- 2.2.3 For internal security, individual self-defense, or civic action, if sections 2.2.1 and 2.2.2 are inapplicable.

Table 701-1. Page 5 of [12] pages

2.3 The Purchaser will not transfer title to, or possession of, the defense articles, components and associated support material, related training or other defense services (including plans, specifications, or information), or technology furnished under this LOA to anyone who is not an officer, employee, or agent of the Purchaser (excluding transportation agencies), and shall not use or permit their use for purposes other than those authorized, unless the written consent of the USG has first been obtained. The Purchaser will ensure, by all means available to it, respect for proprietary rights in any items and any plans, specifications, or information furnished, whether patented or not. The Purchaser also agrees that the defense articles offered will not be transferred to Cyprus or otherwise used to further the severance or division of Cyprus, and recognizes that the US Congress is required to be notified of any substantial evidence that the defense articles sold in this LOA have been used in a manner which is inconsistent with this provision.

2.4 To the extent that items, including plans, designs, specifications, technical data, or information, furnished in connection with this LOA may be classified by the USG for security purposes, the Purchaser certifies that it will maintain a similar classification and employ measures necessary to preserve such security, equivalent to those employed by the USG and commensurate with security agreements between the USG and the Purchaser. If such security agreements do not exist, the Purchaser certifies that classified items will be provided only to those individuals having an adequate security clearance and a specific need to know in order to carry out the LOA program and that it will promptly and fully inform the USG of any compromise, or possible compromise, of US classified material or information furnished pursuant to this LOA. The Purchaser further certifies that if a US classified item is to be furnished to its contractor pursuant to this LOA: (a) items will be exchanged through official government channels, (b) the specified contractor has been granted a facility security clearance by the Purchaser at a level at least equal to the classification level of the US information involved, (c) all contractor personnel requiring access to such items have been cleared to the appropriate level by the Purchaser, and (d) the Purchaser will assume responsibility for administering security measures while in the contractor's possession. If a commercial transportation agent is to be used for shipment, the Purchaser certifies that such agent has been cleared at the appropriate level for handling classified items. These measures will be maintained throughout the period during which the USG may maintain such classification. The USG will use its best efforts to notify the Purchaser if the classification is changed.

3 Indemnification and Assumption of Risks

3.1 The Purchaser recognizes that the USG will procure and furnish the items described in this LOA on a non-profit basis for the benefit of the Purchaser. The Purchaser therefore undertakes to indemnify and hold the USG, its agents, officers, and employees harmless from any and all loss or liability (whether in tort or in contract) which might arise in connection with this LOA because of:

- 3.1.1 Injury to or death of personnel of Purchaser or third parties, or
- 3.1.2 Damage to or destruction of (a) property of DoD furnished to Purchaser or suppliers specifically to implement this LOA, (b) property of Purchaser (including the items ordered by Purchaser pursuant to this LOA, before or after passage of title to Purchaser), or (3) property of third parties, or
- 3.1.3 Infringement or other violations of intellectual property or technical data rights.

3.2 Subject to express, special contractual warranties obtained for the Purchaser, the Purchaser agrees to relieve the contractors and subcontractors of the USG from liability for, and will assume the risk of, loss or damage to:

- 3.2.1 Purchaser's property (including items procured pursuant to this LOA, before or after passage of title to Purchaser), and
- 3.2.2 Property of DoD furnished to suppliers to implement this LOA, to the same extent that the USG would assume for its property if it were procuring for itself the items being procured.

4 Financial Terms and Conditions

4.1 The prices of items to be procured will be billed at their total cost to the USG. Unless otherwise specified, the cost of items to be procured, availability determination, payment schedule, and delivery projections quoted are estimates based on the best available data. The USG will use its best efforts to advise the Purchaser or its authorized representatives of:

- 4.1.1 Identifiable cost increases that might result in an overall increase in the estimated costs in excess of ten percent of the total value of this LOA,
- 4.1.2 Changes in the payment schedule, and

4.1.3 Delays which might significantly affect estimated delivery dates. USG failure to advise of the above will not change the Purchaser's obligation under all subsections of section 4.4.

4.2 The USG will refund any payments received for this LOA which prove to be in excess of the final total cost of delivery and performance and which are not required to cover arrearages on other LOAs of the Purchaser.

4.3 Purchaser failure to make timely payments in the amounts due may result in delays in contract performance by DoD contractors, claims by contractors for increased costs, claims by contractors for termination liability for breach of contract, claims by USG or DoD contractors for storage costs, or termination of contracts by the USG under this or other open Letters of Offer and Acceptance of the Purchaser at the Purchaser's expense.

4.4 The Purchaser agrees:

4.4.1 To pay to the USG the total cost to the USG of the items even if costs exceed the amounts estimated in this LOA.

4.4.2 To make payment(s) by check or wire transfer payable in US dollars to the Treasurer of the United States.

4.4.3 If Terms of Sale specify "Cash with acceptance", to forward with this LOA a check or wire transfer in the full amount shown as the estimated Total cost, and agrees to make additional payment(s) upon notification of cost increase(s) and request(s) for funds to cover such increase(s).

4.4.4 If Terms of Sale specify payment to be "Cash prior to delivery", to pay to the USG such amounts at such times as may be specified by the USG (including initial deposit) in order to meet payment requirements for items to be furnished from the resources of DoD. USG requests for funds may be based on estimated costs to cover forecasted deliveries of items. Payments are required 90 days in advance of the time DoD plans such deliveries or incurs such expenses on behalf of the Purchaser.

4.4.5 If Terms of Sale specify payment by "Dependable undertaking", to pay to the USG such amounts at such times as may be specified by the USG (including initial deposit) in order to meet payments required by contracts under which items are being procured, and any damages and costs that may accrue from termination of contracts by the USG because of Purchaser's cancellation of this LOA. USG requests for funds may be based upon estimated requirements for advance and progress payments to suppliers, estimated termination liability, delivery forecasts, or evidence of constructive delivery, as the case may be. Payments are required 90 days in advance of the time USG makes payments on behalf of the Purchaser.

4.4.6 If Terms of Sale specify "Payment on delivery", that bills may be dated as of the date(s) of delivery of the items, or upon forecasts of the date(s) thereof.

4.4.7 That requests for funds or billings are due and payable in full on presentation or, if a payment date is specified in the request for funds or bill, on the payment date so specified, even if such payment date is not in accord with the estimated payment schedule, if any, contained in this LOA. Without affecting Purchaser's obligation to make such payment(s) when due, documentation concerning advance and progress payments, estimated termination liability, or evidence of constructive delivery or shipment in support of requests for funds or bills will be made available to the Purchaser by DoD upon request. When appropriate, the Purchaser may request adjustment of any questioned billed items by subsequent submission of discrepancy reports, Standard Form 364.

4.4.8 To pay interest on any net amount by which it is in arrears on payments, determined by considering collectively all of the Purchaser's open LOAs with DoD. Interest will be calculated on a daily basis. The principal amount of the arrearage will be computed as the excess of cumulative financial requirements of the Purchaser over total cumulative payments after quarterly billing payment due dates. The rate of interest paid will be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the USG as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage.

4.4.9 To designate the Procuring Agency and responsible Paying Office and address thereof to which the USG will submit requests for funds and bills under this LOA.

5 Transportation and Discrepancy Provisions

5.1 The USG agrees to deliver and pass title to the Purchaser at the initial point of shipment unless otherwise specified in this LOA. With respect to items procured for sale to the Purchaser, this will normally be at the manufacturer's loading facility; with respect to items furnished from USG stocks, this will normally be at the US. depot. Articles will be packed, crated, or otherwise prepared for shipment prior to the time title passes. If "Point of Delivery" is specified other than the initial point of shipment, the supplying US Department or Agency will arrange

movement of the articles to the authorized delivery point as a reimbursable service but will pass title at the initial point of shipment. The USG disclaims any liability for damage or loss to the items incurred after passage of title irrespective of whether transportation is by common carrier or by the US Defense Transportation System.

5.2 The Purchaser agrees to furnish shipping instructions which include Mark For and Freight Forwarder Codes based on the Offer/Release Code.

5.3 The Purchaser is responsible for obtaining insurance coverage and customs clearances. Except for articles exported by the USG, the Purchaser is responsible for ensuring that export licenses are obtained prior to export of US defense articles. The USG incurs no liability if export licenses are not granted or they are withdrawn before items are exported.

5.4 The Purchaser agrees to accept DD Forms 645 or other delivery documents as evidence that title has passed and items have been delivered. Title to defense articles transported by parcel post passes to the Purchaser at the time of parcel post shipment. Standard Form 364 will be used in submitting claims to the USG for overage, shortage, damage, duplicate billing, item deficiency, improper identification, improper documentation, or non-shipment of defense articles and non-performance of defense services and will be submitted promptly by the Purchaser. DoD will not accept claims related to items of \$200. or less for overages, shortages, damages, non-shipment, or non-performance. Any claim, including a claim for shortage (but excluding a claim for nonshipment/nonreceipt of an entire lot), received after one year from passage of title to the article or from scheduled performance of the service will be disallowed by the USG unless the USG determines that unusual and compelling circumstances involving latent defects justify consideration of the claim. Claims, received after one year from date of passage of title or initial billing, whichever is later, for nonshipment/nonreceipt of an entire lot will be disallowed by the USG. The Purchaser agrees to return discrepant articles to USG custody within 180 days from the date of USG approval of such return.

6 Warranties

6.1 The USG does not warrant or guarantee any of the items sold pursuant to this LOA except as provided in section 6.1.1. DoD contracts include warranty clauses only on an exception basis. If requested by the Purchaser, the USG will, with respect to items being procured, and upon timely notice, attempt to obtain contract provisions to provide the requested warranties. The USG further agrees to exercise, upon the Purchaser's request, rights (including those arising under any warranties) the USG may have under contracts connected with the procurement of these items. Additional costs resulting from obtaining special contract provisions or warranties, or the exercise of rights under such provisions or warranties, will be charged to the Purchaser.

6.1.1 The USG warrants the title of items sold to the Purchaser hereunder but makes no warranties other than those set forth herein. In particular the USG disclaims liability resulting from infringement or other violation of intellectual property or technical data rights occasioned by the use or manufacture outside the US by or for the Purchaser of items supplied hereunder.

6.1.2 The USG agrees to exercise warranties on behalf of the Purchaser to assure, to the extent provided by the warranty, replacement or correction of such items found to be defective, when such materiel is procured for the Purchaser.

6.2 Unless the condition of defense articles is identified to be other than serviceable (for example, "As is"), DoD will repair or replace at no extra cost defense articles supplied from DoD stocks which are damaged or found to be defective in respect to material or workmanship when it is established that these deficiencies existed prior to passage of title, or found to be defective in design to such a degree that the items cannot be used for the purpose for which they were designed. Qualified representatives of the USG and of the Purchaser will agree on the liability hereunder and the corrective steps to be taken.

7 Dispute Resolution

7.1 This LOA is subject to US Federal procurement law.

7.2 The USG and the Purchaser agree to resolve any disagreement regarding this LOA by consultations between the USG and the Purchaser and not to refer any such disagreement to any international tribunal or third party for settlement.

LETTER OF OFFER AND ACCEPTANCE INFORMATION

1. **GENERAL.** This provides basic information pertaining to the LOA for US and Purchaser use. Additional information may be obtained from the Security Assistance Management Manual, DoD 5105.38-M, the in-country Security Assistance Office, the DSAA Country Director, or from the implementing agency.

2. INFORMATION ENTERED BY THE USG.

a. **Terms of Sale**, and Purchaser responsibilities under those Terms, are described on the LOA. A list of all Terms of Sale, with explanations for each, are shown in DoD 5105.38-M.

b. **Description/Condition.** The item description consists of coding for use in US management of the LOA (starting with Generic/MASL and MDE "(Y)" or non-MDE "(N)" data such as that in DoD 5105.38-M, Appendix D) plus a short description of what is to be provided. When items are serviceable, Code "A" (new, repaired, or reconditioned material which meets US Armed Forces standards of serviceability) may be used; otherwise, Code "B" (unserviceable or mixed condition without repair, restoration, or rehabilitation which may be required) may be used. In some instances, reference to a note in the Terms and Conditions may complement or replace these codes.

c. **The Unit of Issue** is normally "EA" (each, or one; for example, 40 EA) or blank (unit of issue not applicable; for example, services or several less significant items consolidated under one LOA Item Number). When blank, a quantity or Unit Cost is not shown.

d. **The Source Code (SC)** in the Articles or Services to be Supplied Section is one or more of the following:

- S - Shipment from DoD stocks or performance by DoD personnel
- P - From new procurement
- R - From rebuild, repair, or modification by the USG
- X - Mixed source, such as stock and procurement, or undetermined
- E - Excess items, as-is
- F - Special Defense Acquisition Fund (SDAF) items

e. **Availability leadtime** cited is the number of months (MOS) estimated for complete delivery of defense articles or performance of defense services. The leadtime starts with Acceptance of this Offer, including the conclusion of appropriate financial arrangements, and ends when items are made available to transportation.

f. **Type of Assistance (TA) Codes** are as follows:

- 3 - Source Code S, R, or E; based on Arms Export Control Act (AECA) Section 21(b).
- 4 - Source Code X; AECA Sections 21(b), 22(a), 29, or source undetermined.
- 5 - Source Code P; AECA Section 22(a).
- 6 - Source Code S, R, or E, payment on delivery; AECA Section 21(d).
- 7 - Source Code P, dependable undertaking with 120 days payment after delivery; AECA Section 22(b).
- 8 - Source Code S, R, or E, stock sales with 120 days payment after delivery; AECA Section 21(d).
- M - MAP Merger; Foreign Assistance Act (FAA) Section 503(a)(3).
- N - FMS Credit (Nonrepayable); AECA Sections 23 or 24.
- U - Source Code P; Cooperative Logistics Supply Support Arrangement (CLSSA) Foreign Military Sales Order (FMSO) I.
- V - Source Code S; CLSSA FMSO II stocks acquired under FMSO I.
- Z - FMS Credit; AECA Sections 23 or 24.

g. **Training notes:** AP - Annual training program; SP - Special training designed to support purchases of US equipment; NC - This offer does not constitute a commitment to provide US training; SC - US training concurrently being addressed in separate LOA; NR - No US training is required in support of this purchase.

h. **Offer Release Codes (Ofr Rel Cde) and Delivery Term Codes (Del Trm Cde)** below may also be found in DoD 4500.32-R, MILSTAMP, Appendix M, Figure M-1. The following Offer Release Codes also pertain to release of items for shipment back to Purchaser on repair LOAs:

A - Freight and parcel post shipments will be released automatically by the shipping activity without advance notice of availability.

Y - Advance notice is required before release of shipment, but shipment can be released automatically if release instructions are not received by shipping activity within 15 calendar days. Parcel post shipments will be automatically released.

Z - Advance notice is required, before release of shipment. Shipping activity will follow-up on the notice of availability until release instructions are furnished. Parcel post shipments will be automatically released.

X - The Implementing Agency (IA) and country representative have agreed that the:

-- IA will sponsor the shipment to a country address. Under this agreement, the Freight Forwarder Code must also contain X and a Customer-within-Country (CC) Code must be entered in the Mark For Code on the front page of the LOA. The MAPAD must contain the CC Code and addresses for each type of shipment (parcel post or freight).

-- Shipments are to be made to an assembly point or staging area as indicated by clear instructions on exception requisitions. Under this agreement, the Freight Forwarder Code must contain W. A Mark For Code may be entered in the Mark For Code space on the front page of the LOA and the MAPAD must contain the Mark For Code if the Mark For Address is to be used on the shipment to the assembly point or staging area.

i. For the following Delivery Term Codes, DoD delivers:

- 2 - To a CONUS inland point (or overseas inland point when the origin and destination are both in the same geographic area)
- 3 - At the CONUS POE alongside the vessel or aircraft
- 4 - Not applicable (Purchaser has full responsibility at the point of origin. Often forwarded collect to country freight forwarder.)
- 5 - At the CONUS POE on the inland carrier's equipment
- 6 - At the overseas POD on board the vessel or aircraft
- 7 - At the overseas inland destination on board the inland carrier's equipment
- 8 - At the CONUS POE on board the vessel or aircraft
- 9 - At the overseas POD alongside the vessel or aircraft

Delivery Term Codes showing DoD transportation responsibility for repair LOAs are shown below. The LOA will provide a CONUS address for each item identified for repair. The customer must assure this address is shown on all containers and documentation when materiel is returned.

A - From overseas POE through CONUS destination to overseas POD on board the vessel or aircraft

B - From overseas POE through CONUS destination to CONUS POE on board the vessel or aircraft

C - From CONUS POD on board the vessel or aircraft through CONUS destination to CONUS POE on board the vessel or aircraft

D - From CONUS POD on board the vessel or aircraft through the CONUS destination to overseas POD on board the vessel or aircraft

E - Not applicable (Purchaser has complete responsibility.)

F - From overseas inland point through CONUS destination to overseas inland destination

- G - From overseas POE through CONUS destination to overseas POD alongside vessel or aircraft
- H - (For classified items) From CONUS inland point to CONUS POE alongside vessel or aircraft
- J - (For classified cryptographic items) From CONUS inland point to overseas inland destination

3. INFORMATION TO BE ENTERED BY THE PURCHASER. Mark For and Freight Forwarder Codes are maintained in the Military Assistance Program Address Directory (MAPAD), DoD 4000.25-8. The Purchaser Procuring Agency should show the code for the Purchaser's Army, Navy, Air Force, or other agency which is purchasing the item(s). The Name and Address of the Purchaser's Paying Office is also required.

a. **Mark For Code.** This Code should be entered for use in identifying the address of the organization in the Purchaser country which is to receive the items. This includes return of items repaired under an LOA.

(1) This address will be added by the US DoD to the Ship To address on all freight containers. It will also appear on items forwarded by small parcel delivery service, including parcel post. The address should include the port of discharge name and designator (water or air); country name, country service name, street, city, state or province, and (if applicable) in-country zip or similar address code.

(2) Shippers are not authorized to apply shipment markings. If codes and addresses are not published, containers will be received at the freight forwarder or US military representative in-country unmarked for onward shipment with resultant losses, delays, and added costs. The USG will sponsor shipment of this materiel to FOB US point of origin.

b. **Freight Forwarder Code.** When Offer Release Code X applies, Code X or W, discussed under Offer Release Code X above, must be entered.

4. FINANCIAL.

a. The method of financing is shown in the LOA, Amendment, or Modification. The initial deposit required with Purchaser signature of the LOA is an integral part of the acceptance.

b. LOA payment schedules are estimates, for planning purposes. DFAS (SAAC) will request payment in accordance with the payment schedule unless DoD costs, including 90-day forecasted requirements, exceed amounts required by the payment schedule. When this occurs, the US will use its best efforts to provide a new schedule via LOA Modification at least 45 days prior to the next payment due date. The Purchaser is required to make payments in accordance with quarterly DD Forms 645 issued by DFAS regardless of the existing payment schedule.

c. The DD Form 645 serves as the bill and statement of account. An FMS Delivery Listing, identifying items physically or constructively delivered and services performed during the billing period, will be attached to the DD Form 645. DFAS forwards these forms to the Purchaser within 45 days before payments are due and Purchasers must forward payments in US dollars to the USG in time to meet prescribed due dates. Costs in excess of amounts funded by FMF agreements must be paid by the Purchaser. Questions concerning the content of DD Forms 645 and requests for billing adjustments should be submitted to the Defense Finance and Accounting Service (SAAC/FS), Lowry AFB, CO 80279-5000.

d. The preferred method for forwarding cash payments is by bank wire transfer to the Department of the Treasury account at the Federal Reserve Bank of New York using the standard federal reserve funds transfer format. Wire transfers will be accepted by the Federal Reserve System (FRS) only from banks that are members of the FRS, therefore, non-US banks must go through a US correspondent FRS member bank. The following information is applicable to cash payments:

Wire transfer--

United States Treasury
New York, New York
021-030-004
DFAS/SAAC

Agency Code 3801

Payment from (country or international organization) for
Letter of Offer and Acceptance (Identifier at
the top of the first page of the LOA)

Check mailing address--

Defense Finance and Accounting Service (DFAS)
DE/SAAC/F
Denver, CO 80279-5000

e. To authorize payments from funds available under FMF loan or grant agreements, the Purchaser may be required to submit a letter of request to the Defense Finance and Accounting Service (DFAS/DE-FCC), Denver, Colorado 80279-5000. Purchasers should consult applicable FMF agreements for explicit instructions. Questions pertaining to the status of FMF financing and balances should be directed to DSAA-COMPT-FMD.

f. Payments not received by DFAS (SAAC) by the due date may be subject to interest charges as outlined in paragraph 4.4.8 of the LOA Standard Terms and Conditions.

g. The values on the LOA are estimates. The final amount will be equal to the cost to the USG. When deliveries are made and known costs are billed and collected, SAAC will provide a "Final Statement of Account" which will summarize final costs. Excess funds will be available to pay unpaid billings on other statements or distributed as agreed upon between the Purchaser and the Comptroller, DSAA.

h. The Purchaser may cancel this LOA upon request to the implementing agency. An administrative charge that equals one-half of the applicable administrative charge rate times the ordered LOA value, which is earned on LOA acceptance, or the applicable administrative charge rate times the actual LOA value at closure, whichever is higher, may be assessed if this LOA is cancelled after implementation.

5. CHANGES TO THE LOA. Changes may be initiated by the USG or by requests from the Purchaser. After acceptance of the basic LOA, these changes will take the form of Amendments or Modifications.

a. Amendments encompass changes in scope, such as those which affect the type or number of significant items to be provided. Amendments require acceptance by the USG and the Purchaser in the same manner as the original LOA.

b. Modifications include changes which do not constitute a change in scope, such as increases or decreases in estimated costs or delivery schedule changes. Modifications require signature only to acknowledge receipt by the Purchaser.

c. When signed, and unless alternate instructions are provided, copies of Amendments and Modifications should be given the same US distribution as the basic LOA.

d. Requests for changes required prior to acceptance by the Purchaser should be submitted to the implementing agency for consideration. See DoD 5105.38-M, section 70105.M.2.

6. CORRESPONDENCE. Questions or comments regarding this LOA should identify the Purchaser request reference and the identification assigned by the implementing agency within DoD.

TABLE 701-2
Sample Termination Liability Worksheet

LOA Identification: XX - B - UAB Date: 2 Jan 92
 (Country, Agency, Case Designator)

Liability/ Payment Holdback Date	(a)	(b)	(c)	(d)	(e)	(f)
	Total Payment		Estimated Disbursements		Termination Contractor	
	Qtr	Cum	Qtr	Cum	Qtr	Cum
Initial Deposit	352,000	352,000	352,000	352,000	0	0
15Jun92	864,000	1,216,000	499,200	851,200	364,800	364,800
15Sep92	1,376,000	2,592,000	833,600	1,684,800	542,400	907,200
15Dec92	2,112,000	4,704,000	1,372,800	3,057,600	739,200	1,646,400
15Mar93	3,008,000	7,712,000	1,955,200	5,012,800	1,052,800	2,699,200
15Jun93	4,000,000	11,712,000	2,951,360	7,964,160	1,048,640	3,747,840
15Sep93	4,768,000	16,480,000	4,066,240	12,030,400	701,760	4,449,600
15Dec93	5,024,000	21,504,000	5,602,880	17,633,280	(578,880)	3,870,720
15Mar94	4,512,000	26,016,000	6,561,600	24,194,880	(2,049,600)	1,821,120
15Jun94	3,264,000	29,280,000	4,499,520	28,694,400	(1,235,520)	585,600
15Sep94	1,888,000	31,168,000	2,473,600	31,168,000	(585,600)	0
15Dec94	832,000	32,000,000	832,000	32,000,000	0	0

- Notes:**
- (a) Columns a and b must be identical to payment schedule in LOA financial annex.
 - (b) Column a = c + e.
 - (c) Column b = d + f.
 - (d) At end of worksheet, column b = column d; column f must be zero.
 - (e) In initial deposit, columns e and f are zero unless contract will be let before first scheduled payment.

Table 701-2. Sample Termination Liability Worksheet

TABLE 701-3
Supplementary Information for Letters of Offer

SUPPLEMENT INFORMATION	Weapons System Package Sale	Communications Systems Package Sale	Coproduction/Coassembly	End Item	SSA Stock Level LOA	Regulation LOAs Incl SSA Req	Definitized Spare Parts of Supplies (incl ammunition)	Excesses "As-Is, Where-Is"	Modifications	Publications, Charts, Film	Training	Maintenance and Overhaul	Contractual Services CBIS	Military Services Overseas e.g., TAFI	Military Services to CONUS (i.e., Project Mgmt Office)	Aircraft Flight Delivery	Transportation Services MAC&MST	RDT&B Services	Technical Data Package	Pro-Rate R&D or Royalty Cases	Non-Standard Military Equipment
Mode and Destination of Shipments	X	X	X	X		X	X	X	X	X		X	A/R			X	X		X		X
Delivery Schedule of Items	X	X	A/R	X				X	A/R			A/R				X	X		A/R		A/R
Personal Movement to and From Country	A/R	A/R	A/R						A/R		A/R	A/R	X	X		A/R					A/R
Qualifications Regarding Validity of Data	X	X	X	X			X		X		X	X	X	X		X	X	X	X		X
Agreement to Safeguard Status of USG or Contractor Personnel	A/R	A/R	A/R						A/R				X	X		A/R	A/R				A/R
While in Host Country																					
Statement of Facilities, Services, or Personnel to be Provided by Purchasing Nation	A/R	A/R	A/R				A/R		A/R		A/R					A/R					A/R
Separate Memorandum of Understanding or Detailed Statement of Work	A/R	A/R	A/R								A/R		A/R	A/R				A/R			A/R
Schedule of Personnel Training	A/R	A/R	A/R								X		A/R	A/R							
Logistics Information	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R		A/R							A/R		A/R
Responsibility for Initiation of Requisitions	X	X	X	X		X	X		A/R	A/R		X						A/R	A/R		A/R
Payment Schedule	X	X	X	A/R			A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R
Administration Charge in Event of Cancellation	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

X — Must be addressed in supplemental terms and conditions.

A/R — Should be addressed if applicable to this LOA.

Table 701-3. Supplementary Information for Letters of Offer

**TABLE 701-4
LOA Preparation Checklist**

Item	Action Officer (Last Name, Phone, Date)	Validation	
		Service (Last Name, Phone, Date)	DSAA (Last Name, Phone, Date)
Mode and destination of shipments			
Delivery Schedule of items			
Personnel movement to and from country			
Qualifications of Pricing and Availability Data			
Agreements to safeguard status of USG or contractor personnel in-country			
Statement of facilities, services, or personnel to be provided by Purchaser			
Separate International Agreement or detailed Statement of Work			
Schedule of Personnel Training			
Logistical Information			
Explanation of condition of equipment*			
Identification of equipment supportable			
Description of Services to be provided			
Description of components of pricing			
Responsibility for initiation of requisitions			
Indemnification and assumption of risk			
Payment schedules			
Financial analysis			

Remarks:

[*Including notification of special conditions such as environmental hazards, safety of operation information, or other * factors requiring special operation, maintenance, or disposal skills or equipment.]

Table 701-4. LOA Preparation Checklist

TABLE 701-5
Additional Terms and Conditions
[Aircraft Movement]

The following may be consolidated as one note on the LOA, as considered appropriate by the IA.

- A. The USG will provide for movement of aircraft to point of delivery specified in this LOA.
 - *B. In order to carry out the purpose of this LOA, the USG will accept title to the aircraft from the contractor, and title to the aircraft will remain with the USG until arrival at the point of delivery, at which time title passes to the Purchaser.
 - *C. The aircraft will be marked with appropriate USG markings. The Purchaser is liable for the cost of placing such markings on the aircraft and is responsible for removing such markings upon passage of title to the Purchaser.
 - D. The USG will not be subject to or held liable for any import fees, duties, or other charges levied by the Purchaser.
 - E. Date of delivery to destination will be contingent upon the receipt of necessary overflight and other clearances.
 - F. The Purchaser is liable for all enroute costs including, but not limited to, any maintenance required to insure that the aircraft are in a safe condition, in accordance with current USG regulations, prior to flight.
 - G. It is agreed that there will normally be no USG/Purchaser splits in crews. Any USG/Purchaser split in crew composition must be approved by _____ based upon a request submitted by the Purchaser setting forth the reasons for the request, the desired crew composition, and the aircraft qualifications of proposed crew members of the Purchaser. If split crews are used, the aircraft commander must be an officer of the USG who will have command and control over the aircraft. If more than one aircraft is being ferried, the designated flight leader will be an officer of the USG and will have command and control over all aircraft.
- *When the USG is to ferry Purchaser-owned aircraft, replace B. and C. above with the following:
- B. In order to carry out the purpose of this LOA, the Purchaser grants the USG possession of the aircraft. The title to the aircraft will remain with the Purchaser.
 - C. The aircraft will be marked with appropriate USG markings. The Purchaser is liable for the cost of placing such markings on the aircraft and is responsible for removing such markings.

Table 701-5. Additional Terms and Conditions. [Aircraft Movement]

TABLE 701-6
Additional Terms and Conditions
Transportation and Services

The following may be consolidated as one note on the LOA, as considered appropriate by the IA.

- A. USG agrees to provide, transportation services for the items identified in this LOA to the Point of Delivery. Purchasers property will be transported at the Purchaser's risk.
- B. Purchaser will accept USG delivery listings as the basis for billing and proof of shipment.
- C. Purchaser will accept responsibility for clearance of materiel through its customs at the POD, and for movement of the materiel from its POD to the ultimate in-country destination.
- D. Purchaser will appoint a duly authorized official to accept and sign for materiel at the POD, and submit outturn message and report.
- E. Purchaser will absorb losses of materiel the USG does not in fact recover from an independent carrier or handler, including where the USG is self-insured.
- F. Purchaser will self-insure such shipments, or obtain commercial insurance without any right of subrogation of any claim against the United States.
- G. The USG will assist the Purchaser in processing any claims that may arise for lost or damaged shipments, in the same manner it processes claims for USG-owned materiel. Collection of revenue, if any, resulting from approved claims will be credited to the Purchaser's account.
- H. If the Purchaser proposes to take delivery and custody of the classified material in the US and use its own facilities and transportation for onward shipment to its territory, the Implementing Agency (IA), in coordination with the Purchaser, will develop a transportation plan as outlined in the *Security Assistance Management Manual*, Chapter 5, Section 503, Table 503-4. Further, the Purchaser agrees to notify the IA of any changes as they occur to the transportation plan. The Purchaser will be notified of the approval or disapproval of the changes. If disapproved, the Purchaser will be notified of the reason for disapproval and, when possible, changes that would be acceptable to the USG. As an alternative, the USG will ship the classified materiel by the Defense Transportation Service.

Table 701-6. Additional Terms and Conditions. Transportation and Services

The brackets below show provisions which typically would be applicable to USG commercial contractor (including subcontractor) or to military and civilian USG personnel.

A. Passports, Visas, Licenses, and Permits.

1. [USG, Contractor] Cost and delivery estimates herein anticipate the Government of [country] (GO_) [e.g., Government of Turkey (GOT)] will, within the framework of the laws of GO_, ensure the timely issuance of work, entry, or exit visas; work, vehicle operator, residence, or in-country travel permits; and any other appropriate licenses or permits required of the personnel, including dependents, to carry out this effort.

2. [Contractor] The US contractor shall be responsible for timely and complete submittal of the necessary information and forms directly to the appropriate GO_ agency for the required passports, visas, licenses, or permits. The contractor shall be responsible for the sponsorship of its employees and their dependents and shall process said permits directly with the appropriate GO_ agency.

B. Access. [USG, Contractor] Cost and delivery schedules herein anticipate that US personnel in [country] will be authorized, at no cost, reasonable access to all data, plans, reports, or other information and all existing and proposed offices, sites, and areas within [country] as required to accomplish this effort.

C. Export of Data. [Contractor] US personnel shall not be required or expected to deliver to the Government of [country], nor to any person or entity not a citizen of the United States of America, any technical data produced or utilized under this LOA until the Government of [country] has been furnished with clear evidence that such delivery of the data is (1) approved by the US State Department pursuant to the International Traffic in Arms Regulation, or (2) approval is not required.

D. Taxes, Duties, and Charges for Doing Business. [Contractor] The contract(s) implementing this LOA will include the clause entitled "Taxes-Foreign Fixed-Price Contracts (Jan 1991)" set forth in Federal Acquisition Section 52.229-6; therefore, price and delivery estimates within this LOA anticipate the following:

1. Property, materiel, equipment, household furniture, appliances, and supplies imported into [country] by contractor exclusively for use in support of the contractor and its personnel and consigned and marked as required or approved by the USG will be exempt from import and export duties, taxes, licenses, excises, imposts, and any other identifiable charges. The contractor will maintain any inventory control and accounting system adequate to reflect the usage and disposition of all contractor-owned property which has entered [country] duty-free under this LOA.

2. The GO_, its agencies, and political subdivisions will levy no taxes or fees (including taxes on individual or corporate income or property, customs and import duties, or other taxes on employee personal household goods, supplies and personal effects imported into [country] for personal use) on the contractor, its employees, or the dependents of such employees.

3. If any charges under D.1 or D.2 are imposed by the GO_, costs thereby incurred by the contractor will be reimbursed to the contractor at cost, including applicable overhead and General and Administrative, but excluding profit, out of national funds to be provided by the GO_ under this LOA.

E. Security. [USG, contractor] Price and delivery estimates anticipate that the Purchaser will provide adequate security to protect personnel and property associated with this LOA and located on Purchaser military bases, installations, or other designated work sites.

As of 15 May 1992, the United States has entered into SOFAs or other agreements pertaining * to status of personnel whose duties include work in the listed country

[Numerical references are to the published Treaties and Other International Act Series (T.I.A.S.) of the Department of State]:

Antigua and Barbuda (9054)
 Australia (5349)
 Italy (2846)
 Bahamas
 Bahrain (8632)
 Belgium (2846)
 Canada (2846, 3074)
 Denmark (2846, 4002)
 Diego Garcia [with the United Kingdom] (6196, 8230)
 Dominican Republic
 Egypt (10238)
 Federated States of Micronesia [in Compact with US]¹ France (2846)
 Germany (2846, 5351, 5352, 7759)
 Greece (2846, 3649)
 Honduras
 Iceland (2295)
 Japan (4510)
 Korea (6127)
 Luxembourg (2846)
 Marshall Islands [in Compact with US]¹ again
 The Netherlands (2846, 3174)
 New Zealand (4151)
 Norway (2846, 2950)
 Panama (10032)
 Papua New Guinea
 Philippines (1775, 5851, 9224, 10585)
 Portugal (2846) [Lajes Agreement is unpublished]
 Singapore
 St. Kitts and Nevis
 St. Vincent and the Grenadines
 Spain (2846, 10589)
 Turkey (2846, 3020, 3337, 6582, 9901)
 United Kingdom (2846, 6196) See also, Visiting Forces Act²
 Western Samoa

1. For both the Federated States of Micronesia and the Marshall Islands see: *Compact of Free Association Act* of 1985, Pub. L. No. 99-239 (January 14, 1986). The SOFA was concluded pursuant to Section 323 of the Act and has been reprinted in the *Compilation of Agreements Between the Government of the United States and the Freely Associated States of the Federated States of Micronesia*, The President's Personal Representative for Micronesian Status Negotiations, 1987.

2. The 1952 *Visiting Forces Act* is a unilateral British statute enacted to implement the NATO SOFA within the United Kingdom. Britain has elected this approach, rather than conclude a supplementary agreement to the NATO SOFA with the United States as sending state. Unfortunately, the Visiting Forces Act does not fully agree with the NATO SOFA and this has led to disputes from time to time.

Table 701-8. Status of Forces Agreements

condition of sale, the following are required for all LOAs, Amendments, or Modifications which include program management lines:

a. "Subtotal Cost of Ordered Articles and Services" and corresponding value will be entered at the end of items being offered.

b. The program management line(s) and value(s) are to be entered following the above subtotal cost.

c. Block (8) will be the total of the entries required in a and b above.

2. The FMS administrative surcharge shall be applied by DFAS-DE to the Subtotal entry of ordered items without exception. If the surcharge has been waived and not included in the LOA, the drafting IA is responsible for funding and paying the surcharge. (See DoD 7000.14-R, Volume 15)

3. Program management lines will be identified as such and include Generic Code R6B. Existing case management lines which use Generic Code L8A may continue in use until case closure.

4. FMS workload prior to LOA implementation is to be charged to the administrative budget. Communications, utilities, ADP, office supplies and equipment, and rental may be charged to a program management line to the extent they directly result from program management efforts.

5. An auditable methodology must be maintained to document work each individual performs on a program management line. Personnel charges must be identifiable by position number, employee identification number, or other traceable means.

6. For LOAs in which program management lines are justified by the non-standard nature of the program, the non-standard administrative fee should not be charged in accordance with the FMR.

70202 CONTINGENCY REQUIREMENTS. FMF LOAs may not include contingency (R9A Non-Specific Requirements) lines. Contingency lines will not be used as a substitute for BO LOAs. Inclusion of contingency lines in other LOAs is discouraged. The FMS administrative surcharge will be applied to the contingency line value.

A. When requested and justified in writing by the Purchaser, the Director of SA of the IA, or designee, may approve a contingency line limited to:

1. Services or non-SME articles on a major program LOA.
2. A value of ten percent or less of the LOA value.

B. Obligation authority will not be granted for contingency lines, nor will orders be placed for deliveries reported against them.

1. When requirements are identified by the Purchaser, the applicable dollar values included in the contingency line must be moved to specific defense articles or services (non-contingency) lines, with commensurate payment schedule and other LOA adjustments, as needed.

2. Reallocation of contingency line authority for scope increases must be accomplished by LOA Amendment. Modifications may be used for contingency line reallocations due to price increases.

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SECTION 703 - CONGRESSIONAL SECTION 36(b) NOTIFICATIONS AND REPORTS OF FOREIGN MILITARY SALES
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70301 PURPOSE. The purpose of this section is to provide DoD components with the procedures to be followed during the processing of an LOA, DD Form 1513, when that LOA meets or exceeds the thresholds established for Congressional notification in the AECA and Congressional reporting in AECA, Section 36(b). This section enumerates the requirements of the AECA, Section 36(b), under which Congressional notifications and reports must be submitted; defines the criteria, responsibilities, and procedures established for the submission of these Congressional notifications and reports; and prescribes the data elements, format (to include classification), and procedures for the submission of information to DSAA required for Congressional notifications and reports.

70302 STATUTORY PROVISIONS, EXECUTIVE REQUIREMENTS, AND EXCEPTIONS.

A. Statutory Provisions.

1. Section 36(b)(1) of the AECA requires that, in the case of any LOA to sell any defense articles or services under the Act for \$50 million or more, any design and construction services for \$200 million or more, or any MDE for \$14 million or more, before such LOA is issued, a numbered certification must be submitted to the Congress indicating (a) the foreign country or international organization to which the defense article or service is to be offered for sale, (b) the dollar amount of the offer to sell and the number of defense articles to be offered, (c) a description of the defense article or service to be offered, and (d) the US Armed Forces or other agency of the US which is to make the offer to sell or, in the case of a sale of design and construction services, the following must be shown: (a) the purchaser, (b) the US department or agency responsible for implementing the sale, (c) an estimate of the dollar amount of the sale, and (d) a general description of the real property facilities to be constructed pursuant to such sale. In either type of submission, the certification must contain a description of any contribution, gift, commission, or fee paid or offered or agreed to be paid in order to solicit, promote, or otherwise to secure such LOA, including (a) the name of the person who made or will make such payment, contribution, gift, commission, or fee; (b) the name of any sales agent or other person who is to receive or has received such payment, contribution, gift, commission, or fee; (c) the date and amount of such payment, contribution, gift, commission, or fee; (d) a description of the sale in connection with which such payment, contribution, gift, commission, or fee was or will be paid; and (e) the identification of any business information considered confidential by the person submitting it which is included in the report. Such numbered certifications shall also contain an item, classified if necessary, identifying the sensitivity of technology contained in the defense articles, defense services, or design and construction services proposed to be sold, and a detailed justification providing the reasons necessitating the sale of such defense articles or services in view of the sensitivity of such technology. Each such numbered certification shall contain an item * indicating whether any offset agreement is proposed to be entered into in connection with such Letter of Offer to sell (if known on the date of certification submittal). The AECA, Section 36(b), Paragraph (4) requires that each certification cite any quarterly report submitted under Section 28 of the Act which listed a P&A estimate or a request for LOA, which was a basis for the proposed sale. The FAA, Section 620C(d), requires a special certification for notifications of proposed sales to either Greece or Turkey. The International Security and Development Cooperation Act of 1985, Section 130(c), requires a special certification for notifications of proposed sales to Jordan pertaining to US advanced aircraft, new air defense systems, or other new advanced military weapons. These Jordan certifications, prepared by the State Department and signed by the President, will be appended to Section 36(b)(1) notifications to the Congress involving such items.

2. The AECA, Section 36(b)(1) states that the LOA shall not be issued to NATO, any NATO member country, Japan, Australia, or New Zealand, if the Congress, within 15 calendar days after receiving such certification, or to any other country or organization, if the Congress within 30 calendar days after receiving such certification, adopts a joint resolution stating that it objects to the proposed sale, unless the President states in his certification that an emergency exists which requires such sale in the national security interests of the US. If the President states in his certification that an emergency exists he shall set forth in the certification a detailed justification for his determination, including a description of the emergency circumstances which necessitate the immediate issuance of the LOA and a discussion of the national security interests involved.

3. In addition, the President shall, upon the request of the Committee on Foreign Relations of the Senate or the Committee on Foreign Affairs of the House of Representatives, transmit promptly to both such committees a statement setting forth:

a. A detailed description of the defense articles, defense services, or design and construction services to be offered, including a brief description of the capabilities of any defense article to be offered;

b. An estimate of the number of officers and employees of the United States Government and of United States civilian contract personnel expected to be needed in such country to carry out the proposed sale;

c. The name of each contractor expected to provide the defense articles, defense services, or design and construction services proposed to be sold and a description from * such contractor of any offset agreements proposed to be entered into in connection with such sales (if known on the date of transmittal of such statement);

d. An evaluation, prepared by the Director of the Arms Control and Disarmament Agency in consultation with the Secretary of State and the Secretary of Defense, of the manner, if any, in which the proposed sale would:

- (1) Contribute to an arms race;
- (2) Increase the possibility of an outbreak or escalation of conflict;
- (3) Prejudice the negotiation of any arms controls; or
- (4) Adversely affect the arms control policy of the United States;

e. The reasons why the foreign country or international organization to which the sale is proposed to be made needs the defense articles, defense services, or design and construction services which are the subject of such sale and a description of how such country or organization intends to use such defense articles and services, or design and construction services;

f. An analysis by the President of the impact of the proposed sale on the military stocks and the military preparedness of the United States;

g. The reasons why the proposed sale is in the national interest of the U.S.;

h. An analysis by the President of the impact of the proposed sale on the military capabilities of the foreign country or international organization to which such sale would be made;

i. An analysis by the President of how the proposed sale would affect the relative military strengths of countries in the region to which the defense articles, defense services, or design and construction services which are the subject of such sale would be delivered and

whether other countries in the region have comparable kinds and amounts of defense articles, defense services, or design and construction services;

j. An estimate of the levels of trained personnel and maintenance facilities of the foreign country or international organization to which the sale would be made which are needed and available to utilize effectively the defense articles, defense services, or design and construction services proposed to be sold;

k. An analysis of the extent to which comparable kinds and amounts of defense articles, defense services, or design and construction services are available from other countries;

l. An analysis of the impact of the proposed sale on United States relations with the countries in the region to which the defense articles, defense services, or design and construction services which are the subject of such sale would be delivered;

m. A detailed description of any agreement proposed to be entered into by the United States for the purchase or acquisition by the United States of defense articles, defense services, or design and construction services or defense equipment, or other articles, services, or equipment of the foreign country or international organization in connection with, or as consideration for, such LOA, including an analysis of the impact of such proposed agreement upon United States business concerns which might otherwise have provided such articles, services, or equipment to the United States, an estimate of the costs to be incurred by the United States in connection with such agreement compared with costs which would otherwise have been incurred, an estimate of the economic impact and unemployment which would result from entering into such proposed agreement, and an analysis of whether such costs and such domestic economic impact justify entering into such proposed agreement;

n. The projected delivery dates of the defense articles, defense services, or design and construction services to be offered;

o. A detailed description of weapons and levels of munitions that may be required as support for the proposed sale; and

p. An analysis of the relationship of the proposed sale to projected procurements of the same item.

B. Executive Requirements.

1. **Preparation and Submission of Notifications and Reports.** Under Executive Order 11958, the SECDEF is delegated the responsibility of implementing Section 36(b) of the AECA in consultation with the Secretary of State. DSAA is responsible for preparing and submitting Congressional notifications and reports under AECA, Sec 36(b). To minimize delays in processing such notifications, consistent with the legislative and other requirements, the procedures in this section are placed into effect.

2. **Advance Section 36(b)(1) Notification.** In order to provide Congress with sufficient time to review the proposed sale about to be notified under Section 36(b)(1), DSAA has agreed to provide Congress with advance notification of such offer at least 20 days prior to the submission of the statutory notification. Offers to NATO, any NATO member country, Japan, Australia, and New Zealand are exempt from the advance notification agreement.

(CLASSIFICATION)

Note: 1. Whenever a proposed sale involves no transfer of sensitive technology or classified information, the word "None" will be entered under this heading. Whenever the transfer of sensitive technology or classified information is involved, the words "See Attachment ____" will be entered under the heading and the data specified in Table 703-6 will be attached to the submission.

Note: 2. Attach the Military Justification (Table 703-4) and, if required, the Sensitivity of Technology Data (Table 703-6A), justification for security classification of the case and LOA after statutory notification.

TABLE 703-3. (Continued)

**TABLE 703-4
MILITARY JUSTIFICATION DATA**

(CLASSIFICATION)

MILITARY JUSTIFICATION (U)

- (*) One-sentence paragraph identifying all defense articles and/or services proposed for sale and the estimated total cost of the offer to be made to the prospective purchaser.
- (*) One or two-sentence paragraph describing broadly the contribution which the sale will make toward achieving the foreign policy and national security objectives of the United States.
- (*) A short paragraph on foreign policy and military developments in the region affecting the sale, whether comparable weapons exist in the region, and the effect of the sale on the regional military balance.
- (*) A short paragraph describing why the prospective purchaser needs the articles and how it intends to use them. This paragraph is to address the ability of the prospective purchaser to absorb the articles and the effect of the sale on the prospective purchaser's military capabilities. If the sale was due in part to the results of a US survey, this is to be brought out in this paragraph.
- (*) Identification and location of the prime contractor or principal contractor, if not applicable, provide rationale. Indicate whether any offset agreement is proposed to be entered into in connection with this sale. *
- (*) Estimate of the number of additional US Government personnel and US contractor representatives required in the territory of the prospective purchaser to implement the proposed sale and the number of months during which each category of personnel will be needed.
- (*) Any impact on US defense readiness which would result from the proposed sale.

CLASSIFIED BY: (See DoD 5105.38-M, Chapter 7, Section 703.)

(CLASSIFICATION)

- (*) Indicate required security classification paragraph markings per Chapter 7, Section 703.

NOTE: The above outline is a guide for preparing the typical justification. It need not be followed rigidly when variations will produce a clearer presentation; however, each aspect listed is to be considered and addressed.

TABLE 703-4. Military Justification Data.

TABLE 703-6B

**ENHANCEMENT OR UPGRADE OF SENSITIVITY OF TECHNOLOGY OF
ITEMS PLANNED TO BE DELIVERED, SECTION 36(b)(5)(A) REPORT**

**MEMORANDUM FOR (OR LETTER TO) THE COMPTROLLER, DSAA
(ATTENTION: FMSCD) (U)**

SUBJECT: Enhancement or Upgrade of Sensitivity of Technology of Item(s)
Planned to be Delivered, Section 36(b)(5)(A) Report (U)

1. The following data are provided in accordance with Chapter 7, DoD 5105.38-M:

- A. (*) Purchaser:
- B. (*) DoD Component:
- C. (*) Case Designator:
- D. (*) Section 36(b)(1) Certification Number:

2. A. (*) Description of the manner in which the technology or capability has been enhanced or upgraded, including the significance of such enhancement or upgrade from the level previously described in the original Section 36(b)(1) Certification:

- B. (*) Estimated net cost of enhancement or upgrade:
- C. (*) Item(s) or service(s) to which change(s) apply (indicate whether MDE):
- D. (*) Next planned delivery date of item(s) or service(s):
- E. (*) Detailed justification for the sale of such enhancement or upgrade:

Attachment: Copy of original Section 36(b)(1) Notification.

CLASSIFIED BY: (See DoD 5105.38-M, Chapter 7, Section 703.)

(CLASSIFICATION)

(*) Indicate required security classification paragraph markings per Chapter 7, Section 703.

**TABLE 703-6B. Enhancement or Upgrade of Sensitivity of Technology of Items
Planned to be Delivered, Section 36(b)(5)(A) Report.**

TABLE 703-6C

STATUTORY NOTIFICATION DATA ON ENHANCEMENT OR UPGRADE
OF CAPABILITY OR SENSITIVITY OF TECHNOLOGY

(CLASSIFICATION)

MEMORANDUM FOR (OR LETTER TO) THE COMPTROLLER, DSAA (ATTN: FMSCD) (U)

SUBJECT: Data for Statutory Section 36(b)(1) AECA Notification of Enhancement or Upgrade of Capability or Sensitivity of Technology, Section 36(b)(5)(C) (U)

1. The following supporting data are provided in accordance with Chapter 7, DoD 5105.38-M, regarding items or services that are proposed to be added to a previously notified sale.

- A. (*) Prospective Purchaser:
- B. (*) DoD Component and Case Designator(s):
- C. (*) Original Congressional Notification number and previously notified dollar value:
- D. (*) Estimated net cost of enhancement or upgrade of capability or sensitivity of technology:
- E. (*) Description and quantity of the items and/or services for which enhancement or upgrade of capability or sensitivity of technology is proposed (which items are being enhanced?): Include all major defense equipment, defense articles or services; or design and construction services, segregating them by dollar values:
- F. (*) Description of enhancement or upgrade of capability or sensitivity of technology (what is being done to provide the enhancement or upgrade?):
- G. (*) Expected security classification of the sale of the enhancement or upgrade in capability or sensitivity of technology (if it is to be classified, cite rationale and attach justification):
- H. (*) Sales commission, fee, etc., paid, offered, or agreed to be paid on the enhancement or upgrade in capability or sensitivity of technology (if none, so state):
- I. (*) Identification and location of the prime contractor or principal contractor of the enhancement or upgrade in capability or sensitivity of technology (Also indicate whether any offset * agreement is proposed to be entered into in connection with this sale.):
- J. (*) Estimate of the number of additional US Government personnel and US contractor representatives required in the area of the prospective purchaser to implement the proposed enhancement or upgrade of capability or sensitivity of technology and the number of months each category of personnel will be needed:

TABLE 703-6C. Statutory Notification Data on Enhancement or Upgrade of Capability or Sensitivity of Technology.

TABLE OF CONTENTS

CHAPTER EIGHT

FOREIGN MILITARY SALES CASE PERFORMANCE

	Page	
Section 800 - Case Implementation and Execution	800-1	
80001 Implementation	800-1	
80002 Execution	800-2	
Section 801 - Acquisition for FMS	801-1	
80101 DOD Regulations and Procedures	801-1	
80102 FMS Customer Requests for Specific Source	801-1	
80103 Sales Commissions and Agents Fees	801-4	
80104 Appointment of an Agent	801-6	
80105 Warranties	801-7	
Section 802 - Logistics	802-1	
80201 General	802-1	
80202 Secondary Item Support	802-1	
80203 Diversions and Withdrawals of Materiel	802-2	
80204 System Support Buyout	802-4	
80205 Requisition Procedures	802-4	
80206 Transportation	802-5	**
Table 802-1 - Countries Authorized to Use the Defense		
Transportation System for All FMS Shipments	802-13	*
Table 802-2 - Financing RODs when the USG is Liable	802-14	*
Section 803 - Management of Excess Defense Articles	803-1	
80301 Legislation	803-1	
80302 General	803-1	
80303 EDA Control/Congressional Notification	803-2	
80304 LOA Procedures	803-3	
Section 804 - Amendments and Modifications	804-1	
80401 General	804-1	
80402 Amendments to LOAs	804-1	
80403 Modifications of LOAs	804-2	
Table 804-1 - Preparing the Amendment or		
Modification to the Letter of Offer and Acceptance	804-5	

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SECTION 801 - ACQUISITION FOR FMS

80101 DOD REGULATIONS AND PROCEDURES.

A. **Compliance with DOD Regulations.** In keeping with the DOD policy, acquisition for FMS purchasers will be in accordance with U.S./DOD regulations and procedures. This affords the foreign purchaser the same benefits and protection that apply to DOD procurement and is one of the principal reasons why foreign governments and international organizations prefer to procure through FMS channels.

B. **Federal Acquisition Regulation.** The DOD is authorized to enter into contracts for the purpose of resale to foreign governments or international organizations. The FAR shall apply to all purchases and contracts made by the DOD for acquisitions in support of FMS. Some of the most pertinent sections of the FAR and the Defense FAR supplement relative to FMS are listed below:

	<u>FAR</u>	<u>FAR SUPPLEMENT</u>
1. Acquisition for FMS	-----	Subpart 225.73
2. Agents Fees and Commissions	Subpart 3.4	225.7303-4
3. Options - FMS	-----	Subpart 217.2
4. Contract Type Risk - FMS	-----	215.971-3(d)(3)(iv)
5. Costs of Doing Business with a Foreign Government	-----	225.7303-2
6. Selling Costs	31.205-38	225.7303-2(a)(2)(i)
7. Recovery of Nonrecurring Costs	-----	Part 270
8. Other Than Full and Open Competition-- International Agreement	6.302-4	206.302-4
9. Applicability of Acquisition Warranties to FMS	-----	246.770-6

C. **Acquisition Notification of FMS Requirements.** In accordance with Section 225.7302 of the Defense FAR Supplement, when the acquisition for FMS is expected to involve a contract in excess of \$10,000 that is to be awarded noncompetitively (for example when the FMS purchaser requests a specific sole source), prices, delivery data and other relevant information shall be requested from the prospective source and the request shall indicate that the information is for the purpose of a potential sale under FMS and shall identify the prospective FMS purchaser(s).

80102 FMS CUSTOMER REQUESTS FOR SPECIFIC SOURCE.

A. **DOD Policy.** DOD policy provides that procurements made for FMS will comply with U.S. government acquisition regulations and procedures. When procurement is required to meet an FMS requirement for defense articles and/or services, to the maximum extent possible, the

competitive procurement process will be utilized. Authority for sole source procurement can be considered when the purchasing country makes a specific written request and provides sufficient rationale for obviating the benefits of the competitive process.

B. Sole Source Designation. As described in Defense FAR Supplement 225.7304, the FMS purchaser may request that a defense article or defense service be obtained from a particular source. In such cases, FAR 6.302-4 provides authority for the U.S. government to contract on a sole source basis. The purchaser request should be contained in a letter of request for an LOA or an amendment to an existing LOA. The request for sole source must also provide the basis and justification for the sole source and may be for a prime and/or sub-contractor source. Sole source procurement designations under accepted FMS LOAs will be submitted by the DOD component security assistance director to the applicable contracting activity in order to exercise the FAR authority.

1. Foreign Purchaser Request. Foreign purchaser sole source requests may be honored (See Defense FAR Supplement 225.7304) only when the sole source designation is based upon the objective needs of the FMS purchaser as stated by the purchaser and DOD component security assistance director approval is obtained. Accordingly, a letter requesting a specific item(s) and/or service(s) from a specifically identified firm or other supplier must be addressed by an authorized official of the purchasing government through the chief of the security assistance organization (SAO) in country, or by the Defense Attache or comparable official of the purchasing government in the United States, to the DOD component security assistance director whose component has procurement cognizance for the required item/service. If from an overseas activity of the purchasing government, this written request should be submitted via the SAO in country. The letter must provide the basis and justification for a sole source request. To the maximum extent possible submission through the SAO is preferred. The request shall not be honored in any case of patently arbitrary, capricious or discriminatory exclusion of other sources. The number or frequency of sole source requests should be kept to the absolute minimum; however, there may be situations where for programmatic reasons sole source procurement is necessary and justifiable. Situations where sole source procurement may be justifiable could include, but are not limited to, the following situations:

a. When one of the numerous suppliers can deliver faster and the situation is urgent enough to forego the benefits of the competitive process.

b. When the procurement of a non-standard item which is out of the DOD buying pattern has been approved because of a country request and a specific source has been identified by the country; i.e., obsolete items no longer supportable by DOD. This could occur in countries with predominantly MAP merger funded programs since MAP merger funds can be utilized only for FMS programs; therefore, such a purchasing country may not have the capability of buying on a direct basis.

c. When the country has an established history of procurement for articles or services from a particular prime source and to change would adversely affect an ongoing program. For example, this would include an ongoing maintenance program wherein a particular prime contractor is providing technical assistance or other services under established agreements.

d. When the designated source has won the foreign purchaser's own source ** selection competition. A copy of the country's request for proposal, invitation for bid, or request for tender; a description of the method used to advertise the requirement and any restrictions placed thereon; and a narrative summary of the country's source selection criteria and method of evaluation should be included with the single source request. If price is not the sole selection criteria, the country must identify the weight that was given to each criterion.

SECTION 802 - LOGISTICS

80201 GENERAL. The overall policy concerning logistics support is shown in Section 20202. This section provides guidance in logistics related areas not covered elsewhere in the Manual.

A. **Use of US Logistics System.** Implementation of LOAs will be accomplished within the existing organizational and procedural structure of the US military logistics, including acquisition, system. Use of the DTS is an exception to this policy as discussed in this section.

B. **Items to Reflect Favorably on US.** Items provided under FMS will normally be new or unused or, as a result of rehabilitation, possess original appearance insofar as possible and have serviceability standards prescribed for issue to US forces. If the Purchaser desires exclusively new equipment, this requirement will be stated in the LOA. If the Purchaser desires "as is/where is" items, this will also be stated in the LOA.

C. **Purchaser Service.** Delivery performance directly reflects the degree to which the US meets its FMS commitments and is therefore a key element of the supplier-customer relationship. The importance of prompt and effective service to the Purchaser must be continually emphasized to assure overall success in the attainment of FMS program objectives.

D. **Discrepancy Reporting.** Every effort must be made to provide the correct defense article or service in the quantity and quality shown in the LOA. In order to take advantage of a fresh audit trail, Purchasers should be reminded of the importance of reporting discrepancies as soon as possible. RODS will be considered based on guidance in Sections 80206 and 1308.

E. **Repair and Replace Programs.** The repair of FMS customer-owned articles normally requires that the customer return a reparable article under an LOA established for that purpose, and await the normal leadtime and pay the actual costs of repair. Under the FMR, pricing and billing of repair and replace programs are authorized in conjunction with mature CLSSAs. For items covered by CLSSAs, DoD components may establish repair and return programs which utilize replace and repair procedures. Initial billing will be based on the estimated repair cost with adjustment to the actual costs as soon as possible after repair.

F. **ILCS.** The International Logistics Communication System has been developed for the improvement of logistics communications service to SA countries, freight forwarders, and contractors. DLA's DAASO, Dayton, OH 45444-5320 manages ILCS under DLA General Order 2-83, dated 10 January 1983 and DoDD 4000.25. As a stand-alone system, or in tandem with processes such as Supply Tracking and Reparable Return/Personal Computer based (STARR/PC), ILCS provides a computer-to-computer telecommunications capability which allows a subscriber to exchange logistics related information with the DoD logistics community and other ILCS subscribers.

80202 SECONDARY ITEM SUPPORT. Normally, materiel is furnished only when DoD plans to assure logistic support for the expected service life of the materiel. This includes follow-on spares support. Based on CLSSA or SDAF [AECA Sec 51(a)(3)] capitalization, SA requirements for all items managed by DLA will be satisfied on the same basis as US forces in accordance with UMMIPS. Guidance below pertains only to non-DLA managed items.

A. **CLSSAs.** Where a mature CLSSA is in effect, SA requirements will be satisfied on the same basis as US force requirements in accordance with the UMMIPS. For CLSSA non-programmed requisitions, the ICP head may approve issue of stocks below the secondary item reorder point when he determines there will not be an unacceptable impact on US forces. The

impact on secondary items must be considered whenever a total package of significant equipment and support items is provided.

B. **Non-CLSSAs.** When a CLSSA has not been established, and the item is not a DLA asset, the FMS Purchaser is not entitled to the same access to the US logistics system as US forces. The ICP processing the requisition will generally issue on-hand assets only if they are above the required item's reorder point level or PLT. Otherwise, the requisition will be placed on backorder until expiration of the PLT, at which time the ICP will process the requisition in accordance with the UMMIPS.

C. **Exceptions.** On an exception basis, ICPs may issue stocks below the reorder point to fill non-CLSSA requirements if release will not adversely affect support to US forces. If it appears that support to US forces will be adversely affected, ICPs will notify the requesting MILDEP in writing. The notification will include information showing the stock status of the items involved.

D. **Exception Appeals.** After elevating the issue to the headquarters level, the MILDEP may appeal the ICP decision not to issue stocks below the reorder point. The appeal shall be in writing to DSAA and shall include information regarding stock status and a justification of why the materiel should be released below the reorder point to fill non-CLSSA requirements in light of the possible impact on US forces. DSAA will prepare a written response in coordination with Office of USD(A&T).

E. **Mass Exceptions.** It is intended that the practice of issuing stocks below the reorder point to non-CLSSA customers be the exception and not the rule. It is further intended that a careful review be made of each such instance in order that US forces' stocks are protected. However, there are situations when numerous requisitions for an LOA must be processed expeditiously. If the requesting MILDEP and the affected ICPs agree that a blanket waiver would be the best way to be responsive to the requirement, a written request may be made by the requesting MILDEP to DSAA for coordination with Office of USD(A&T). The request shall explain why the process described in the preceding paragraphs is inadequate for responding to the situation in question and for what period the blanket waiver should be in effect. Requisitions for * secondary items to support peacekeeping requirements should be filled, in UMMIPS IPD sequence, as if the requisitions originated with US forces; however, war reserve material will not be issued without the specific approval of the commander of the applicable inventory control point.

80203 DIVERSIONS AND WITHDRAWALS OF MATERIEL.

A. **Legislation.** The following policies implement AECA Sec 21(i), 10 USC. Secs 133b and 975, and Senate Appropriations Committee Report 99-176 of 6 November 1985:

1. Presidentially directed or SecDef initiated materiel allocations shall be accorded sufficient priority through diversion of assets from other programs to assure accomplishment of the directed allocation within the time period specified.

2. High priority FMS requirements may be met by diverting from production or withdrawing equipment from US forces, providing the operational readiness posture of these forces is not significantly lowered and payback can be accomplished within a reasonable time. Such initial determinations will be made by the IA. Diversion or withdrawal which would impact US National Guard or Reserve forces must be coordinated with DSAA, which will in turn coordinate the proposal with the OASD/RA, pursuant to DoD Directive 1225.6. If tanks are being withdrawn, a determination will be included in the required Congressional notification that the proposed sale will not increase the shortage of tanks in the US National Guard or Reserve during the current five-year defense plan. Should tanks need to be withdrawn from the US National Guard or Reserve, Congress shall be advised of the plan to replace the specific tanks.

B. **Initiation.** MILSTRIP requisitions may be initiated under implemented LOAs either by the Purchaser or by the IA. IA Requisition Control Offices (RCO) will also verify requisitions prepared by countries and convert requisitions received in other than MILSTRIP format when appropriate. Requisitions for nonstandard items or for services are normally processed in letter format.

C. **Contacts.** Service designated RCOs are:

1. **Army.** US Army Security Assistance Command, New Cumberland, PA 17070.
2. **Navy.** Navy International Logistics Control Office (NAVILCO), Philadelphia, PA 19111-5095.
3. **Air Force.** Air Force Materiel Command, Wright-Patterson AFB, Ohio 45433-5000.

D. **Priority.** IPDs will be established under UMMIPS (DoDD 4410.6) based on FADs established by JCS for each customer country and international organization and on UNDS, assigned by the country or the RCO. Erroneous IPDs will be corrected by the reviewing activity. Doubtful cases will be referred to the appropriate US, including SAO, or Purchaser representative for clarification or correction.

E. **DCD.** Delivery Commitment Date (DCD).

1. A DCD will be applied to LOAs that include a line for a principal item with no corresponding RAD in the supply system. The DCD will be a three digit numeric code, the first two representing the fiscal year and the third representing the quarter of the fiscal year when shipment is to be made. The DCD, when applicable, should be placed in column (5) of the LOA.

2. A Modification to LOA for notice of slippages of more than 90 days is required on DCD revisions but not on slippages of items controlled within the MILSTRIP RAD system. In the event it is determined that such a slippage will occur, but a firm alternative delivery date cannot be immediately established, a Modification will be provided to the Purchaser deleting the delivery date, providing an explanation of the circumstances involved, and containing a statement that an additional Modification will be provided as soon as a new delivery date has been established.

F. **DFD.** The Delivery Forecast Date (DFD), provided by the IA with or within 120 days after acceptance of the LOA, is the estimated date of delivery of the total quantity of the line item. The DFD always occurs earlier than the DCD and is a true estimate of the forecast of deliveries based on projected availability from procurement, rebuild, or other source.

G. **Status.** An IA prepared MILSTRIP requisition status report will be made available to the Purchaser on a quarterly basis. Reports will show requisitions open at the end of the report period and requisitions shipped or cancelled during that period. Multiple line entries for the same requisition will be reflected whenever a partial or split action is taken. The report will be prepared at Country, LOA, and In-Country Service Designator level. Summary lines will be provided to indicate the number of lines and dollar value by open requisitions, cancellations, and shipments.

80206 TRANSPORTATION

**

A. **General.** DoD policy is that the Purchaser shall be responsible for transportation and delivery of its materiel. For countries authorized routine use of DTS (see Table 600-1), DoD will also arrange delivery, on a reimbursable basis, at the designated delivery point, allowing

Purchasers to utilize their own resources (including their freight forwarder) for delivery to the in-country destination.

1. Additional information may be found in the booklet "Foreign Purchaser Guide to Freight Forwarder Selection" which is available to non-USG representatives for a small charge from DISAM (see 10007). The booklet discusses management of the freight forwarder function, and the MAPAD, DoD 4000.25-8-M.

2. Correct MAPAD addresses are essential to the correct routing of cargo and documentation. Since the USG will not be responsible for rerouting shipments received by former freight forwarders, the Purchaser should pre-plan freight forwarder changes, including contractual arrangements with former freight forwarders to assure delivery of any shipments received after a change has taken place. Also, the Purchaser may wish to consider establishing a MAPAD address (Type Address Code 7) for payment of transportation charges.

3. Cargo acquired with US appropriated or guaranteed funds are subject, by legislation or DoD policy, to cargo preference rules discussed in paragraphs C and D below. Cargo not purchased with these funds will normally be moved utilizing US or non-US carriers as the Purchaser desires and conditions permit.

4. See Chapter 5 for guidance regarding export or temporary import of defense articles, shipment of classified items, export licenses, customs clearance, and transportation plan development.

B. Title Transfer. The point of origin and of passage of title to the Purchaser is normally the same. If an item is procured for shipment directly from a contractor, this point will normally be FoB Origin at the contractor's loading facility. If items are supplied from DoD stocks, this point will be the location at which the materiel is being offered for sale, such as the depot loading facility or, for Parcel Post, the nearest post office facility. When circumstances dictate, designation of a point of delivery other than the point of origin will be specified in the LOA. Except in circumstances discussed below and stated in the LOA, retention of custody does not imply retention of title. The provisions of this title transfer policy apply to shipments regardless of the mode or type of transportation, documents utilized, delivery code, or method of funding. When the LOA specifies that the USG will provide for movement of aircraft to the point of delivery, one of two conditions prevails with regard to title:

1. Where ferrying is necessary and aircraft are not Purchaser-owned (title not passed), the USG will accept title to the aircraft from the contractor, and title will remain with the USG until arrival at the point of delivery.

2. Where Purchaser-owned aircraft are being ferried under terms of the LOA, the Purchaser grants the USG possession of the aircraft. Under this condition, the title to the aircraft remains with the Purchaser. The LOA will contain prescribed indemnification clauses.

In either of the above circumstances, the Purchaser assumes all risk of loss or damage since this is a USG service being provided at no cost to the USG.

C. Cargo Preference (Ocean). Section 901(b) of the Merchant Marine Act of 1936, as amended (46 USC 1241), requires at least 50 percent of the gross tonnage (computed separately for dry bulk carriers, dry cargo liners, and tankers) of grant, credit, or guarantee-funded cargo be transported on US flag privately owned vessels to the extent such vessels are available at fair and reasonable rates (to be determined by the Maritime Administration, or MARAD, US Department of Transportation). This is in addition to AECA Sec 42(c) requirements discussed in Section 90210. FMF agreements require that items financed with these funds, which are transported by ocean

vessel, shall be transported in privately owned vessels of US registry unless a general or security waiver is granted by DSAA or a non-availability waiver is granted by MARAD.

1. The above cargo preference rules will be applied to FAA and loan or lease shipments discussed in Sections 803 and 1102 and Chapters 9 and 12, with exceptions as follows:

a. Space available cargo under FAA Sec 518 is not subject to cargo preference rules.

b. FAA Sec 516 and 519 language provides authority for transportation excluding other provisions of law. In order to support the US merchant fleet, this cargo will be managed in accordance with general cargo preference principles; however, when a general waiver is in effect as discussed below, the balancing of US and non-US tonnage moved under Secs 516 and 519 will exclude shipments where it was determined that US flag privately owned vessels were not available.

2. Unless indicated otherwise, weight ("gross tonnage") will be stated in pounds or in metric tons (MT; or, 2,205 US pounds).

3. It is the Purchaser's responsibility to notify its freight forwarder of shipments made under guidance discussed above, including any changes, and to ensure compliance with agreements based on US cargo preference rules. In accordance with standard FMF terms, FMF proceeds may not be used to pay ocean or air freight costs of carriage of defense items on vessels or aircraft of non-US registry. For information on approved US land carriers, the Purchaser may contact the MTMC Assistant Deputy Chief of Staff for Operations, Delivery Systems Office, telephone (703) 756-1577.

4. Requests for a US flag vessel general, non-availability, or security waiver may be considered when received at least 21 days before the shipping date. Countries with general waivers will normally count shipments against their non-US tonnage when security dictates a non-US vessel, superseding the need for security waivers for those recipients. Countries with general waivers may count cargo weight shipped when US flag privately owned vessels are not available or not available at reasonable rates against the general waiver, avoiding the need for individual non-availability waivers. It is important to maintain a positive US flag balance during the general waiver period. If non-availability or security waivers recognize requirements for specific use of non-US vessels, which creates an imbalance in the general waiver, US vessels will be given preference in cargo assignment during the waiver period until the balance is corrected.

a. **General waivers.** Consideration will be given to a general waiver application, allowing up to 50 percent of dry cargo liner, 50 percent dry bulk carrier, and 50 percent tanker cargo to be carried on vessels flagged in the waiver recipient country, provided the recipient country does not discriminate against US flag vessels. Any approval will normally cover one full calendar year (1 January-31 December). Processing will include verification of the treatment accorded vessels of US registry. The waiver application should be submitted to Director, DSAA, Attn: DSAA/OPS-MGT, 1111 Jefferson Davis Highway, Arlington, VA 22202-2800, with a copy to MARAD at the address in b. below.

b. **Non-availability waivers.** Applications on the basis of non-availability of vessels of US registry must document that the recipient nation has made a reasonable, timely, and bona fide effort to arrange shipment on vessels of US registry and that such vessels are not available. Applications on the basis of non-availability of vessels of US registry at reasonable rates must document all applicable comparative rates. Waiver applications, submitted on a shipment-by-shipment basis should include:

Sec 516)

- (1) FMS LOA identifier if FMF (including lease) or FAA program name (e.g.,
- (2) Description of commodities to be shipped
- (3) Port of loading and port of unloading
- (4) Estimated shipping date
- (5) Name of proposed vessel and flag of registry
- (6) Weight of shipment in pounds
- (7) Estimated ocean freight cost

Applications should be submitted to Administrator, Maritime Administration, Attn: Office of Cargo Preference (MAR591), Washington, DC 20590-0001, with a copy to the DSAA address in a. above.

c. **Security waivers.** A security waiver may be requested for a shipment or series of shipments where sabotage may reasonably be expected, a state of emergency exists, or a substantial unsafe condition must be avoided. Applications must provide specific requirements and show how the waiver will meet the requirements. Processing will include requirements verification. The waiver request should be forwarded to the DSAA address in a. above with a copy to the MARAD address in paragraph b.

5. It is the responsibility of the recipient country to maintain a positive US flag weight shipping posture for FMF plus lease plus FAA programs, by vessel type. As indicated above, FAA Secs 516 and 519 balances will be determined based on those shipments where US flag privately-owned vessels were actually available. In order to meet reporting responsibilities, pertinent information must be forwarded to MARAD as early as possible, but not later than 90 days after each applicable shipment. The following information must be reported by the shipping activity (normally the IA for DTS or the customer freight forwarder for non-DTS shipments):

- a. FMS LOA identifier if FMF (including lease); program name if FAA
- b. Commodity Description
- c. Port of loading and port of unloading
- d. Recipient country
- e. Date of loading
- f. Type vessel (dry cargo, dry bulk, or tanker)
- g. Name of vessel and flag of registry
- h. Reference to any document granting a non-US flag vessel waiver for the shipment
- i. Freight forwarder (not required for DTS)
- j. Weight of shipment in pounds
- k. Ocean freight cost

D. **Cargo Preference (Air).** The Fly America Act requires first preference for airlift of DoD-sponsored grant, credit, or guarantee-funded cargo be given to US flag air carriers. Before a shipper uses a foreign-flag carrier, a written explanation must be provided the IA showing why a US carrier should not be used. Guidance in Section 90210 applies to these offshore procurements.

E. **Insurance.** Unless a Purchaser is self-insured, commercial insurance should be obtained to provide coverage against damage or loss of property, injury to or death of persons, or other risks incurred while the Purchaser's property is in the custody of the freight forwarder, aboard any carrier, or transiting any port facility. This includes return shipment of materiel. It is recommended that any commercial insurance be placed with US private firms to the extent possible. Care should be taken to avoid gaps in, or duplication of, insurance carried by the freight forwarder.

F. **Controlled Substances.** The export of a controlled substance shall be in accordance with the Controlled Substances Import and Export Act (21 USC 951) and the procedures governing the exportation of controlled substances in 21 CFR Part 1312. Prior to each export, the IA shall obtain the necessary import documents from the Purchaser as provided by 21 USC 953(a)(3) and (e)(1). The IA shall submit the import documents to the Administrator of the Drug Enforcement Administration (DEA), Department of Justice, requesting the export permits be issued for the particular controlled substance. Upon obtaining the export permit from the DEA, the IA is responsible for furnishing the Defense Personnel Support Center the export permit number, the expiration date of the export permit, and the port of exportation. This information will accompany the requisition. The IA must also ensure the Purchaser is aware of the need to submit import documentation for controlled substance requisitions.

G. **Shipment Through DTS.**

1. For purposes of this manual, DTS includes transportation services provided by DoD, whether from internal resources (e.g., SAAM) or acquired for the Purchaser (e.g., GBL or Transportation Control and Movement Document shipments). CCBL shipments are outside DTS. Materiel movement must be documented under the Defense Traffic Management Regulation (DTMR) and MILSTAMP, DoD 4500.32-R. LOA terms of delivery should show delivery onto vessel or aircraft, CONUS PoE, DTC 8 or to the country by the most economical means (normally overseas PoD, offloaded, DTC 9). Category I sensitive items (see DoD 5100.76-M) normally require delivery to the overseas PoD. DTS is normally utilized for:

- a. Classified items.
- b. DBOF items (where shipment to the PoE or freight forwarder is part of the unit cost regardless of the DTC assigned).
- c. Firearms, explosives, lethal chemicals, and (as required) other sensitive materiel within CONUS. Onward movement may be effected by Purchaser-controlled aircraft or surface vessels. Additional guidance may be found in DoD 4500.32-R, DTMR, Title 49 CFR Part 170-179 and 397, and DoD 5100.76-M.

(1) Items determined to be non-sensitive, such as Department of Transportation (DoT) class 1.4 items (low grade explosives such as CAD/PAD), may be transported to or through CONUS commercial gateways providing DoT Competent Approval Authority (CAA) has been obtained and is accompanying the shipment.

(2) The IA may approve the transportation of up to 1,000 net weight pounds of explosives to the PoD when the Purchaser is having difficulty arranging the transportation and formally requests the DTS movement.

(3) The Government of Canada may ship these items inland to Canada, by MTMC-approved carriers, by DTC 4 and CCBL.

- d. Air cargo items which exceed commercial capability.
- e. At other times when requested by the Purchaser and approved by DSAA. Justification showing why country-arranged transportation is not to be used must accompany the request. Special requests are not applicable for DTS routine users shown in Table 600-1.

2. Even though consolidation (DoD 4000.25-1-M, Chapter 6) is an objective, single line small parcel shipments by traceable US Postal Service (registered mail) or commercial small parcel carriers are often necessary. Military Postal Service (MPS), through APO or FPO, or DoS

diplomatic pouch services, will not normally be used for FMS shipments but exceptions to policy are authorized for classified shipments when the Purchaser does not have approved facilities to receive classified items in the US or where accomplishment of the program requires delivery in country through the resident US SAO. Such exceptions will be kept to the minimum and the cost of such shipments will be assessed to the Purchaser.

3. 10 USC 2631, 46 USC 1241, and other rules pertaining to DoD acquisition require that SA cargo moving through DTS will normally be assigned, subject to availability at reasonable rates, to (a) non-chartered US flag privately-owned vessels, (b) DoD chartered US flag privately-owned vessels, (c) US flag USG-owned vessels, and (d) non-US flag vessels.

H. **Offshore Source.** When DTS is not used, the IA will endeavor to notify the Purchaser of articles to be supplied from offshore sources as soon as possible after identification of source. The notification will state that the article will be moved to the CONUS freight forwarder unless a request is received to accept delivery at the offshore facility. The Purchaser request must be made within 21 days of the IA's notice of the offshore source.

I. **Packing and Marking.** FMS materiel will normally be packaged as prescribed by MIL-STD 2073 (preservation Level A, packed to not less than Level B, with special packing available as an FMS service) and will be marked as prescribed by MIL-STD 129 with the following minimum information:

1. FMS case identifier
2. TCN
3. Transportation priority
4. Project code, if applicable
5. Ship from address
6. Ship to address
7. Ultimate consignee/mark for (MAPAD address code and clear text, if applicable)

J. **Financial Guidance.**

1. **DTS Transportation Costs.** Standard percentages (Vol 15, DoD 7000.14-R, Table 705-1) are normally applied. Estimated actual transportation costs are authorized when standard percentages would significantly understate transportation costs, such as LOA lines valued greater than \$10,000 for ammunition or other items requiring special treatment. When estimated actual costs are used, a note will be included which identifies the amount, by line item, for each DTS transportation element; e.g., CONUS inland, port loading, ocean transportation. The Appendix F table is to be used for the listed high value items, for which standard percentages would generate excessive transportation revenues. Transportation costs will normally be included in LOAs as shown in Table 701-1; however, when a SAAM or other dedicated transportation is used, a separate transportation service line will be included.

2. **Non-DTS CCBLs.** Where delivery is FoB origin, non-DBOF items will normally be transported under CCBL and the Purchaser will be informed by the IA of responsibility for (1) acceptance and payment of CCBL shipments, (2) providing appropriate insurance coverage, and (3) in-transit accounting and settlement of claims against carriers. When shipment cannot be effected by CCBL due to tariff restrictions, refusal of carriers to accept collect freight shipments, or other reasons, the Purchaser freight forwarder may make prepaid arrangements (versus collect) with the carrier. As an alternative, Purchaser may request pre-paid shipments in the LOA so the US shipping activity uses prepaid transportation (e.g., DTC 5 on a GBL) to ship FMS cargo to freight forwarder. Only when the LOA so authorizes may the shipping transportation office guarantee payment of charges on CCBLs.

K. Offer Release Code A, Y, and Z Shipments. See Table 701-1 for a description of Offer/Release Codes. The Purchaser determines whether items will be automatically released to the freight forwarder or if Notices of Availability (NoA) are required prior to release. NoAs for classified items (see Section 501) must be sent to, and the response received from, the country representative in the MAPAD rather than the freight forwarder. The normal Offer/Release Code for all FMS transactions is A. Use of codes Y and Z for other than hazardous, classified, or sensitive cargo and large shipment units (over 10,000 pounds, over 100 cubic feet, or over eight feet in any dimension) must be approved by the IA. Storage or staging of items as a result of instructions in response to an NoA, or for necessary actions when no shipping instructions are received, accrue storage costs under each LOA. The Purchaser will be liable for the costs incurred.

L. Returns

1. Items returned to DoD for servicing are normally moved through the Purchasers' freight forwarder. The freight forwarder will be responsible for clearance through US Customs and for prepaid transshipment to the designated CONUS repair facility. The Purchaser should assure these shipments are accompanied by appropriate shipping documents and a customs declaration, and that the freight forwarder has the capability for receipt and transshipment. After repair, items will normally be shipped in accordance with normal delivery procedures.

2. When a DoD component solicits the return of a defense item from an FMS Purchaser, use of DTS may be authorized if deemed appropriate and funded by the cognizant DoD component. When a DoD component approves an FMS Purchaser request to return previously purchased defense articles for credit, transportation normally should be arranged and funded by the FMS Purchaser. Unsolicited returns of sensitive, hazardous, or classified items will normally be moved within DTS, with reimbursement from the FMS customer, if deemed appropriate by the DoD component. Countries authorized routine use of DTS do not require case-by-case approval.

M. Discharge of Materiel. LOAs will provide that transportation supervision responsibilities shall pass within CONUS and that transportation support beyond CONUS will be the responsibility of the Purchaser unless materiel is moving within DTS and one of the following conditions exist:

1. A local US military representative supervises discharge at destination. This includes, but is not limited to, making arrangements for reception of the cargo, assuring the establishment by the Purchaser of adequate procedures for checking the equipment and materiel against manifests and shipping documents, obtaining a transfer of custody signature receipt and date from the FMS country representative, providing technical advice regarding proper discharge of cargo, and initiating transportation discrepancy actions and documents prescribed in AR 55-38/NAVSUPINST 4610.33C/AFR 75-18/MCO 4610.19D, DLAR 4500.15, Reporting of Transportation Discrepancies in Shipments.

2. There are US military forces positioned or deployed in the area that is receiving FMS materiel. Where these forces are supported by US Military Terminal Units or Support Activities, arrangements may be initiated by a local US military representative who may designate these units to act as US agent to accomplish the functions incident to the delivery of materiel to the recipient country via the DTS.

N. Tracers. When the IA has furnished status showing item pickup by a carrier, but materiel has not been received, the Purchaser is responsible for conducting tracer action. In the case of prepaid DTC 5 shipments to a freight forwarder, DoD shipping activities will assist by providing GBL or other data, or by contacting carriers when required.

1. For all shipments processed through a freight forwarder, tracers should first be directed to the freight forwarder and, if the item has been transshipped, it should be traced to the addressee.

2. If it is believed that the item has not been received by the freight forwarder, a request for shipping information should be sent to the activity from which shipment status was received. That activity will provide a copy of the bill signed by the carrier and shipping information such as TCN, bill of lading number, carrier, and date of shipment. Further follow-up should then be made to the freight forwarder to ascertain if the item has, in fact, been received.

3. If the item is still missing, the Purchaser should assure the freight forwarder starts tracer action with the carrier, obtains proof of delivery, or makes a claim against the carrier on behalf of the Purchaser.

O. Transportation Discrepancies. RoDs reported to the IA on Standard Form 364 must be documented in accordance with IA processing procedures. Purchasers, including their freight forwarders, must be ready to react to the following shipment discrepancies (also see Table 802-2 and Section 1308):

1. **Materiel Discrepancies** include shortages or overages due to incorrect quantity counts, improper packing or marking, duplicate shipments, incorrect items, and damage prior to release to the carrier by the origin shipper. Non-receipt of shipment units qualify only if no evidence of shipment (constructive delivery) can be produced by the shipper. The IA, in conjunction with the DoD or commercial supply source, retains responsibility for resolving these problems and determining financial responsibility.

2. **Transportation Discrepancies** include complete or partial loss or damage caused by the carrier (when properly annotated on the bill of lading) or freight forwarder. If the item is shipped prepaid (e.g., on a GBL) or by CCBL to a freight forwarder, and damage or loss occurs, the freight forwarder must file a claim with the carrier. Damage to an item shipped to the Purchaser by a freight forwarder must be resolved by the Purchaser or the freight forwarder in a claim action with the carrier. Damage or loss of an item while in the custody of the freight forwarder must be resolved between the Purchaser and the freight forwarder. Such discrepancies will not be subject to reporting to the USG. The USG retains responsibility for processing and filing claims with carriers for shipments made on GBLs to DoD activities. Benefits of such claims will be reimbursable to the Purchaser. Damage or loss to items under the control of USG personnel, such as in DoD facilities or aircraft, is not reimbursable by the USG (see section 80206.E).

P. Documentation. In resolving transportation discrepancies, the USG will provide evidence of shipment. Any movement document or receipt, signed by a carrier representative, which shows that the US has shipped or released materiel to a carrier for shipment to the country's designated representative, constitutes evidence of shipment. Such documents generally show the quantity, NSN, mode of shipment, date, TCN, notice of availability number/bill of lading/parcel post insured or registered number, addressee, vessel/voyage or flight number (to the extent possible), and name of the shipper and carrier. This information is essential for adjudication of RoDs. If the freight forwarder has not received the consignee copy of the bill of lading, and proof of delivery to a carrier is requested, a duplicate of the appropriate documents establishing evidence of shipment will be provided to the customer representative.

Data moved to Table 600-1.

**TABLE 802-1. Countries Authorized To Use The Defense
Transportation System for All FMS Shipments**

TABLE 802-2

FINANCING REPORTS OF DISCREPANCY WHEN THE US GOVERNMENT IS LIABLE

A. GUIDELINES ON THE SOURCE OF FUNDING FOR PAYMENT OF VALID CLAIMS

1. **Information.** The following are guidelines regarding the source of funding for payment of valid claims related to FMS shipments when the USG is found liable. (Also see section 130802.)

Nature of Discrepancy	FMS Administrative Funds	US Government Appropriation
1. Defective or Deficient Materiel (item deficiency)		
a. From Procurement**	Not applicable, except in cases where US action or inaction causes inability of the FMS customer to obtain satisfaction from the contractor.	Not applicable
b. From Stock	Transportation of materiel for rework or disposal, or, if more cost effective, travel and per diem costs of rework team. The cost of testing defective items when it is necessary in order to service the FMS customer.	Applicable USG appropriation or fund is responsible for (1) replacement without additional charge, (2) refund to the customer account, or (3) repair or rework of defective items issued to FMS customers (except as indicated under "FMS Administrative Funds" heading).
2. Damaged Materiel*		
a. From Procurement**	Not applicable, except in cases where US action or inaction causes inability of the FMS customer to obtain satisfaction from the contractor.	Not applicable

TABLE 802-2. Financing Reports of Discrepancy when USG is Liable.

b. From Stock	Transportation of materiel for rework or disposal, or, if more cost effective, travel and per diem costs of rework team.	Applicable USG appropriation or fund is responsible for (1) replacement without additional charge, (2) refund to the customer account, or (3) repair or rework of defective items issued to FMS customers (except as indicated under "FMS Administrative Funds" heading).
	The cost of testing damaged materiel when it is determined to be necessary in order to service the FMS customer.	
3. Materiel Not Received* (nondelivery, shortage)		
a. From Procurement**	Not applicable, except in cases where US action or inaction causes inability of the FMS customer to obtain satisfaction from the contractor.	Not applicable
b. From Stock	Not applicable, except in cases where US action or inaction causes inability of the FMS customer to obtain satisfaction from the carrier, and the shipping activity produces receiving reports/proof of delivery to the carrier. (DoD policy requires that receiving reports/proof of shipment be obtained whenever materiel is released to a common carrier, including the US Post Office). When materiel is delivered through DTS, the MAAG or its designated representative is required to obtain receipt for the FMS/MAP materiel. These procedures make it possible to identify responsibility for any loss of materiel in transport. FMS	If an item arrived short or is not delivered (e.g., short unit pack, misdirected shipment) and the carrier is absolved of liability, (i.e., when the shipping activity is unable to produce receiving reports/proof of delivery) then the shortage or misdirection is determined to have occurred at the point of origin and will be absorbed by the applicable US appropriation. In those instances, a credit may be given to the FMS customer's account and charged to the USG appropriation which was initially credited as a result of such transaction. Misdirected shipments not returned to stock will be absorbed as an inventory

TABLE 802-2. Financing Reports of Discrepancy when USG is Liable.

administrative funds may be used only when it is specifically substantiated that the USG failed to meet its responsibility relative to the shipment of the materiel except as indicated under "US Government Appropriation/Funds," heading.

loss against the applicable USG materiel account. If USG-owned GFE, which is to be incorporated into an end-item, is lost or damaged during shipment to the contractor (i.e., prior to incorporation into the end-item) then the customer's funds will be used to absorb the applicable cost. Recognition should be given to the possibility that a "lost" GFE shipment may be lost only on the accounting records but still physically in the USG's possession. In instancesd where this is probable, no charge should be made to the Purchaser for "lost" GFE.

4. Overage*

a. From Procurement**

Not applicable unless the USG is responsible for the overage.

Not applicable

b. From Stock

Costs to transport excess items back to stock or to disposal. If claimed by the customer, costs to transport excess items issued to the country. Note: Out-of-pocket costs of packing, crating and handling, (PCH), if claimed, will be paid from PCH funds.

If billed and customer does not want the items, amounts for excess items to the FMS charged will be refunded to customer account and the appropriate USG appropriation fund will be charged. Overage items not returned to stock will be absorbed against the applicable USG materiel property account as an inventory loss.

5. Improper Identification (incorrect item, i.e., nonsubstitutable item)

a. From Procurement**

Not applicable unless the USG is responsible for the problem.

Not applicable

TABLE 802-2. Financing Reports of Discrepancy when USG is Liable.

b. From Stock	When the incorrect item is not returned, the cost of issuing the correct item or providing a customer refund will be absorbed by the FMS Administrative Fund. On the other hand if the incorrect item is returned, then the appropriate adjustments within the USG accounts should be effected and only the next additive costs should be absorbed by the FMS Administrative Fund. Note: Out-of-pocket costs of PCH, if claimed, will be paid from PCH funds.	Applicable USG appropriation/fund is responsible for issue of correct items without additional charge to the FMS customer. If the correct item is not available for issue, the refund to the customer account will be charged against the appropriate USG appropriation/fund which was initially credited as a result of such transaction. Incorrect items issued and not returned to stock will be absorbed against the applicable USG materiel property account as an inventory loss.
6. Improper Documentation		
a. From Procurement**	Not applicable unless the USG is responsible for improper documentation.	Not applicable
b. From Stock	When the incorrect item is not returned, the cost of issuing the correct item or providing a customer refund will be absorbed by the FMS Administrative Fund. On the other hand, if the incorrect item is returned, then the appropriate adjustments within the USG accounts should be effected and only the net additive costs should be absorbed by the FMS administrative	Applicable USG appropriation/fund is responsible for issue of properly documented items without additional charge to the FMS customer. If the properly documented item is not available for issue, the refund to the customer account will be charged against the appropriate USG appropriation/fund which was initially credited as a result of such transaction. Improperly documented items

TABLE 802-2. Financing Reports of Discrepancy when USG is Liable.

fund. Note: Out-of-pocket costs of PCH, if claimed, will be paid from PCH funds.

which are not returned to stock will be absorbed against the applicable USG material property account as an inventory loss.

7. Duplicate or Erroneous Billing

a. From Procurement** Not applicable

Erroneous or duplicate charges will be corrected, i.e., refund (where appropriate) or adjustment to customer account. Adjustments will be charged against the appropriate USG appropriation, fund or the customer account when appropriate.

b. From Stock Not applicable

Erroneous/duplicate charges will be corrected, i.e., refund (where appropriate) or adjustment to customer account. Adjustments will be charged against the appropriate USG appropriation/fund or the customer account when appropriate.

8. Loss of Customer Item in Inventory (provided for fabrication, assembly or rework)

When the item is no longer maintained in the USG inventory, the USG cannot benefit from retaining the item. In this instance the FMS Administrative Fund is the appropriate source for customer reimbursement.

If the item is currently maintained in USG inventory and the loss is bookkeeping or inventory control loss, the item is still physically available and should be replaced from US assets or appropriate credit provided from USG funds

* Claims of \$100 or less will not be reported for:

1. Overages
2. Shortages (includes nonreceipt)
3. Damages

** Procurement includes both "fast pay" and other procurement contracts.

TABLE 802-2. Financing Reports of Discrepancy when USG is Liable

2. Survey messages for SME, including MDE, will be forwarded to DSAA/OPS for coordination and approval before release. EDA survey messages for other than SME may be dispatched without DSAA coordination. Surveys will normally include item(s) description, quantity, condition, rough order of magnitude cost/value of end items, costs and leadtimes for support items, and other information as appropriate.

3. SAOs should be directed to info the cognizant CINC on their response. Their responses should include an assessment of proposed recipient's capabilities to fund follow-on operational, maintenance, and training requirements.

4. Responses from CINCs will prioritize and, if appropriate, endorse requirements submitted by SAOs in their AOR.

D. **Allocation.** DoD and DoS have established an EDA Coordinating Committee to review projected excess and allocate assets to potential recipients. In no instance should MILDEPs commit EDA to SA recipients if the EDA Coordinating Committee has not reviewed and approved the proposed allocation. The Committee will normally consider the following in its review:

1. Matches of country requirements with items available.
2. Ability of the country to effectively utilize the items.
3. Item location and transportation requirements.
4. Regional balancing as dictated in legislation or to achieve maximum benefit for the United States.
5. Potential competition with comparable new production items.

E. **Congressional Data.** Congressional notifications cannot be submitted until items have been screened and declared excess. IAs will provide DSAA/OPS, within ten days of a request for an LOA for EDA, the following data for items that are to be transferred: Item description, quantity, current value of the items, acquisition value of the items, and a brief justification for the transfer. For blanket order LOAs, the description of items to be supported and the value of the LOA should be reported.

F. **Offer Termination.** The situation may arise where an item is determined to be excess and is offered to a country but conditions change to the extent that it is forecast that US forces may require the article. Except where a clear present need exists that will substantially support US interests, reversal of the excess determination should occur only at a time when our commitment will not be abrogated, such as after one country has indicated no interest. The offerer should request to DSAA that the item not undergo subsequent offers pending a determination of EDA/non-EDA status. DSAA should be informed in all cases where items previously offered are no longer available.

80304 LOA PROCEDURES.

A. **LOAs for EDA.** Separate LOAs should be initiated for the sale of EDA. Source of Supply Code E should appear in column (5) of the LOA and these LOAs should include "EXCESS DEFENSE ARTICLES. Acquisition Value is \$ _____.", underlined, as the last words in the item description field for items which are excess. DSAA/OPS will use this information to track these Offers.

B. **517 LOAs.** When LOAs are written to provide PC&H, transportation, or other costs for EDA items being transferred under FAA Sec 517, the LOA should contain the following special note:

The excess defense articles to which this Offer and Acceptance relates shall be used by the Purchaser primarily in support of antinarcotics activities as required by Section 517(C) of the Foreign Assistance Act of 1961 as amended.

C. **List Items on Support LOAs.** FMS LOAs for PC&H and transportation for FAA Sec 516, 517, 518, and 519 transfers should list nomenclatures, NSNs, and quantities of end items being transferred. BO LOAs should identify end item application.

D. **Transportation.** See Sec 80206.

**

SECTION 804 - AMENDMENTS AND MODIFICATIONS

80401 GENERAL. Section 701 should also be reviewed since many of the rules applicable to the LOA also apply to Amendments and Modifications.

A. **Use of LOAs, Amendments, or Modifications.** In general, LOA Modifications are faster and simpler to develop and process than Amendments which are faster and simpler than new LOAs. Conversely, use of Amendments or Modifications makes long term accounting more difficult, makes program reconciliation more cumbersome, and delays LOA closeout. FMS programs are best served through use of the format which best safeguards US and non-US interests while most efficiently accomplishing the needed program change within the constraints of Paragraphs 80402 and 80403. This must include both short and long term considerations. If there is doubt as to whether to use the LOA, Amendment, or Modification, the issue should be referred to DSAA Operations for resolution.

B. **Major Changes in Scope.** Major increases in scope normally require the preparation of a new LOA. Examples include addition of SME, including MDE, or a substantial expansion after the program has matured.

C. **\$50,000 Break Point.** The DSAA data base will record Amendments reflecting net increases of more than \$50,000 in the fiscal year the Amendment is accepted. Amendments which reflect net increases of \$50,000 or less will be recorded in the year of the basic LOA.

D. **Pen and Ink Changes.** See section 70105.M.2.

80402 AMENDMENTS TO LOAs.

A. **General.**

1. Revision to an LOA which requires Purchaser acceptance must be by an Amendment (see Table 804-1). This includes all changes in scope other than concurrent modifications. Care must be taken to ensure that decreased costs in one LOA section do not mask scope increases.

2. Initial deposits will be included (see Paragraph 130401) when the existing LOA payment schedule does not include sufficient amounts to cover costs from the expiration date of the Amendment until the next billing cycle.

3. For undercollected LOAs, unless prior approval is obtained from DSAA, IAs will inform the purchaser that the Amendment cannot be implemented until sufficient payments have been received to cover current financial requirements, including termination liability.

B. **DSAA Countersignature Required.** DSAA countersignature on the Amendment is required for the following:

1. Except as indicated in C. below, the LOA has been the subject of a Congressional notification [Sec 36(b), AECA] or qualifies for notification based on the amendment (also see section 70103.G).

2. The LOA value is increased.

3. Amendments to LOAs which involve FMS credit, MAP, SDAF, or third country financing, including those that change the payment schedule or method of financing. All types/sources and amounts of financing should be shown.

4. Amendment is outside parameters in C. below.

C. **DSAA Countersignature Not Required.** Copies of Amendments which are exempt from countersignature as indicated below will be provided to SAAC by the IA at the time of release to the FMS Purchaser. As an exception to B. above, Amendments where the LOA has been the subject of Congressional notification [Sec 36(b) AECA] are exempt from countersignature in the case of items 1.a., 3., and 4.

1. Any of the following, provided the change does not extend delivery of defense articles or completion of services more than 12 months beyond that in the basic LOA--

- a. Changes in performance periods of services LOAs, such as training or technical assistance, and changes in requirements for training LOAs.

- b. Addition of supporting articles (non-SME) or services, or definitization of undefined support lines.

- c. Minor increases in quantity of a defined line LOA for non-SME items.

2. Changes in article or service configuration which do not substantially increase capability.

3. A change in transportation delivery code(s) which does not cause an overall value increase.

4. Changes to FMSO LOAs which do not change LOA values or the range of items to be ordered.

5. Changes to LOAs which qualify for processing under ACAS (see 70103.H.). Show ** "SAMM 80402.C.5." and date of DoS approval or later in the "DSAA" and "Date" spaces respectively.

80403 MODIFICATION OF LOAs.

A. General.

1. Modifications (see Table 804-1) are used for US unilateral changes. They record modifications to existing LOAs which do not constitute an increase or decrease in scope when acceptance of the change by the Purchaser is not required.

2. Acknowledgement of receipt of the Modification, while not required for implementation, confirms that the Modification has been received by an authorized Purchaser official.

3. Costs charged under a LOA should not exceed the funds available on that LOA, and FMS countries do not normally want funds to sit in their FMS accounts unnecessarily. Balancing these factors is a key program management responsibility (Section 704) which requires analyses and monitorship to ensure funding is adequate to avoid program disruption.

- a. If monitorship shows that early costs incurred on the implemented LOA are deviating from those estimated to the degree that later deviations are unlikely to bring overall costs into balance, or OA above LOA value will be required at some point in the program, a Modification should be processed.

b. As a minimum, the US is committed to apply best efforts to provide the Purchaser a Modification when one of the following conditions exist:

- (1) Estimated total costs increase by ten percent,
- (2) The payment schedule changes, or
- (3) Significant delivery delays occur.

A Modification should also be provided for even relatively minor cost adjustments when all items are on order and prices are reasonably firm.

c. Price increase Modifications will be provided by the IA before the actual accrued costs exceed those estimated on the LOA.

4. Price increases or decreases discovered during LOA closure will be assessed during final billing if a closure certificate can be provided to SAAC within six months of the supply completion date. When closure certification will take longer than six months from the supply completion date, a Modification adjusting the LOA value is required.

B. Modifications Requiring DSAA Countersignature. The following Modifications require DSAA coordination and countersignature:

1. Except as indicated in C. below, Modifications to LOAs which have been the subject of Congressional [Section 36(b), AECA] notifications (see Section 70303.A.4).

2. Modifications to LOAs with FMS credit, MAP, SDAF, or third country financing, including those that change the payment schedule or method of financing. This includes Modifications that change the method of financing after purchaser signature on the LOA or Amendment, but prior to implementation. All types/sources and amounts of financing should be shown.

3. Shifts of value between two or more LOAs by concurrent Modifications. The following conditions must be met--

a. The FMS country official who requests the shift in value has the authority to accept LOAs and the LOR must accompany the Modification package.

b. Must not include a significant scope change (e.g., added SME).

c. Total amount(s) increased are no more than the total amount(s) decreased. If addition(s) to the LOA(s) being increased will generate a requirement for an initial deposit, an Amendment must be used.

d. LOA(s) decreased have adequate funds available to cover remaining obligations.

e. All Modifications are provided to DSAA as a package for countersignature and cross-reference each other in the "This Modification is For:" section as follows: (On decreased LOA) "Value of \$____ is hereby transferred to FMS ____-____ (reference notice ____)" and (on increased LOA) "Value of \$____ is hereby transferred from FMS ____-____ (reference notice ____)."

C. Modifications Not Requiring DSAA Countersignature. Copies of the Modifications which are exempt from countersignature will be provided to SAAC by the IA at the

time of release to the FMS Purchaser. As an exception to B. above, Modifications where the LOA has been the subject of Congressional notification [Sec 36(b) AECA] are exempt from countersignature in the case of items 3., 5., and 6.

1. Price increases not otherwise requiring countersignature as discussed in B above.
2. Price decreases resulting from price reductions.
3. Changes to transportation codes due to the requirement to use the DTS (e.g., shipment of hazardous or sensitive cargo).
4. Addition to or revision of clarifying notes.
5. Changes in payment schedules where MAP, FMF Credit, SDAF, or third country financing are not involved.
6. Changes in Generic or MASL coding to correct an administrative error only. There should be no change to the configuration (or description) of articles or services to be sold.
7. Changes to LOAs which qualify for processing under ACAS (see 70103.H.). Show ** "SAMM 80403.C.7." and date of DoS approval or later in the "DSAA" and "Date" spaces respectively.

TABLE 804-1

**Preparing the Amendment or Modification
to the Letter of Offer and Acceptance**

Information in this Table is designed to assist in completing an LOA Amendment or Modification after the decision is made, based on guidance in section 804, that one or the other is applicable. Guidance in section 701 for the basic LOA should also be helpful in completing these LOA changes. A sample completed LOA Amendment and Modification is included in this Table, with additions to the standardized format bracketed for emphasis. Information in the basic LOA should be repeated only to the extent necessary to ensure clarity for those reviewing the Amendment or Modification documents; e.g., to correlate the current Amendment or Modification to the basic LOA and previous changes and to accurately describe the revision(s). The following guidance also applies:

A. The "This Amendment (or Modification) is for:" section must include "Basic LOA was accepted (date)" and a concise and clear purpose of the Amendment or Modification, using the following guidelines.

1. Identify the major program involved (e.g., "change to Apache program").
2. This section provides an overview of the Amendment or Modification. Actual changes are shown in detail subsequent to page 1.
3. Enter references to specific parts of the basic LOA, Amendments, or Modifications; e.g., Basic LOA, Item 1, Atchmt 2; Amendment 2, Item 3. Show if the action is an addition, modification, or deletion, increase, or decrease. This must show whether value increases (line or total LOA) are due to scope or price changes.
4. If a previous Amendment offer has expired, note that Amendment (number) was not accepted and state that data prior to the Amendment is being used herein. The unaccepted Amendment number should not be reused.
5. Include the DSAA transmittal used in the statutory Congressional notification (e.g., Congressional Notification 92-15) when applicable.

B. The Amendment expiration date is normally 85 days after the US Signature Date.

C. Amendments or Modifications determined to not require DSAA Countersignature should show one of the following on the "DSAA" line--

1. Amendments. "SAMM 80402.C applies"
2. Modifications. "SAMM 80403.C applies"

The DSAA countersignature line "Date" should reflect the date the no-countersignature determination was made by the IA or, for ACAS Amendments/Modifications, the date of DoS * approval or later.

D. Normal LOA, Amendment, and Modification distribution (original and two copies, three copies with credit LOAs) will be adjusted as discussed in this section when countersignature is not required.

E. To avoid misunderstandings, especially with customers, use caution in discussing changes in cost or increases in scope prior to Amendment acceptance. When in doubt, obtain approval for these discussions from DSAA OPS.

TABLE OF CONTENTS

CHAPTER NINE

FOREIGN MILITARY SALES DIRECT CREDIT AND GUARANTEED LOAN FINANCING

	Page	
Section 900 - General	900-1	
90001 Purpose	900-1	
90002 Introduction	900-1	
90003 Arms Export Control Act Authorization	900-1	
90004 Additional Provisions of the Act	900-2	
90005 Classified Materiels	900-3	
90006 Third Party Transfers	900-3	
90007 Cash Flow Financing	900-3	
Table 900-1 - Cash Flow Financing Notification Format	900-4	
Section 901 - Eligibility	901-1	
90101 General	901-1	
90102 Use of Financing	901-1	
Section 902 - Process and Procedures	902-1	
90201 General	902-1	
90202 Congressional Authorization and Appropriations	902-1	
90203 Apportionment	902-1	
90204 Implementation and Management of Loans	902-1	
90205 Issuance of FMS Loans	902-2	
90206 Approval of FMS Credit-Financed Purchases	902-3	
90207 Commitment of FMS Credit Funds	902-3	
90208 Disbursement of FMS Loan Funds	902-4	
90209 Direct Commercial Purchases	902-4	
90210 Off-Shore Procurement	902-5	
90211 Repayments of FMS Loans	902-6	
Table 902-1 - Deleted	902-9	
Table 902-2 - Deleted	902-9	
Table 902-3 - Loan Agreement	902-10	*
Table 902-3A - Grant Agreement	902-27	*
Table 902-4 - DSAA Sample Letter to Purchasing Country Approving Use of FMS Loan Financing for Direct Commercial Purchases	902-42	*
Table 902-5 - DSAA Sample Letter to Supplier Approving Use of FMS Loan Financing for Direct Commercial Purchases	902-43	*
Table 902-6 - Guidelines for Foreign Military Financing of Direct Commercial Contracts	902-46	*
Table 902-7 - Contractor Certification and Agreement	902-60	**
Table 902-8 - Notification of Requirements for Direct Acquisition to be Funded with U.S. FMS Loan Funds	902-65	*
Table 902-9 - Determination	902-66	*
Section 903 - Transportation (moved to Section 80206)	903-1	**

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CHAPTER 9

FMS DIRECT CREDIT AND GUARANTEED LOAN FINANCING

SECTION 900 - GENERAL

20001 PURPOSE. This Chapter presents the FMS direct credit and guaranteed loan financing management policies and procedures. It describes the types of loans currently issued to foreign governments to finance such sales, the standards and criteria applicable thereto, and the procedures for implementing the FMS credit program. This chapter does not cover the use of Grant Aid (MAP) funding such as authorized by the FAA, Section 503(a)(3) (use of MAP funds to finance FMS) and the FAA, Section 506(a) (special authority), subjects which are covered in Chapter 11. Transportation guidance may be found in Section 80206. *

20002 INTRODUCTION. FMS direct credit and guaranteed loan financing has continued to grow in scope and direction. Concurrently, the management of such financing has become correspondingly complex. There are a number of stipulations, limits, actions, and responsibilities involved in various aspects of this management that reflect variations in international relations and US foreign policy. This chapter examines those aspects and their legislated guidelines.

20003 ARMS EXPORT CONTROL ACT AUTHORIZATION. The AECA, as amended, provides authority for FMS direct credit and guaranteed loan financing as follows:

A. **Credit Sales.** Section 23 of the AECA authorizes the President to finance procurements of defense articles, defense services, and design and construction services by friendly foreign countries and international organizations. Loans financed under the authority of Section 23 are commonly called direct loans. Historically, this type of loan financing has been used to assist those FMS countries in the process of economic development. Direct loans require that funds be appropriated by the Congress in an amount equal to the principal loan values. Direct loans are currently used as the vehicle for implementing "repayment waived" loans as authorized by the Congress.

B. **Guaranties.** Section 24 of the AECA authorizes the President to guarantee any individual, corporation, partnership, or other juridical entity doing business in the US [excluding USG agencies other than the Federal Financing Bank] against political and credit risks of nonpayment arising out of their financing of credit sales of defense articles, defense services, and design and construction services to friendly countries and international organizations. Loans financed under authority of Section 24 are commonly called guaranteed loans. Fees are charged for the guaranties and all guaranties are backed by the full faith and credit of the United States. Section 25(a)(7) of the AECA prescribes that the President must advise the Congress of the total amount of funds in the Guaranty Reserve at the end of each fiscal year. Additionally, the President must provide an assessment of the adequacy of guaranty reserve funds to make payment of claims under guaranties issued in view of the current debt servicing capacity of borrowing countries. Guaranteed loan financing constitutes the major portion of the current FMS credit program. Since 1975 all guaranteed loans have been issued to eligible borrowing countries by the Federal Financing Bank, an instrumentality of the Department of the Treasury. Such loans are guaranteed by the DSAA against all political and credit risks of nonpayment.

90004 ADDITIONAL PROVISIONS OF THE ACT. In addition to Sections 23 and 24, the AECA addresses the purposes of FMS and the use of credits and guaranties in numerous other sections of the AECA as follows:

A. **Purposes for which Military Sales by the US are Authorized.** According to Section 4 of the AECA, defense articles and services may be sold to friendly countries as follows: (1) for internal security, (2) for legitimate self-defense, (3) to permit the recipient country to participate in regional or collective arrangements consistent with the Charter of the United Nations or as requested by the United Nations to maintain or restore international peace and security, and (4) for the purposes of enabling foreign military forces in less developed friendly countries to construct public works and to engage in other activities helpful to economic and social development.

B. **Violations.** Section 3(c)(1)(A) of the AECA requires that no credits (including participation in credits) may be issued and no guaranties may be extended for any foreign country if such country uses the defense articles or services in substantial violation of an agreement under Section 4 of the AECA (as noted in paragraph A. above), transfers the articles or services without the consent of the President, or fails to maintain the security of the articles or services. Also, according to Sec. 3(f) of the AECA and Sec. 620A of the FAA, the President shall terminate all sales, credits, and guaranties to any government which aids or abets, by granting sanctuary from prosecution to any individual or group which has committed an act of international terrorism unless the President finds that national security requires otherwise.

C. **Prohibitions Against Discrimination.** Section 5 of the AECA concerns prohibition against discrimination. No sales should be made and no credits (including participation in credits) or guaranties extended to or for any foreign country which through its laws, regulations, official policies, or governmental practices prevents any US person from participating in the furnishing of defense articles or services on the basis of race, religion, national origin, or sex.

D. **Foreign Intimidation and Harassment of Individuals in the US** Section 6 of the AECA concerns foreign intimidation and harassment of individuals in the US. No credits or guaranties may be extended to any country determined by the President to be engaged in a consistent pattern of acts of intimidation or harassment directed against individuals in the US.

E. **Prohibitions Against Certain Military Export Financing by Export-Import Bank.** Section 32 of the AECA specifically prohibits Export-Import Bank financing of defense articles or services to economically less developed countries.

F. **Authorization and Aggregate Ceiling on Foreign Military Sales Credits.** Section 31 of the AECA establishes the authorization and aggregate ceiling on FMS credits. For example, Section 31 normally indicates the maximum total amount of direct credits (Section 23) and the total principal amount of guaranteed loans (Section 24) authorized to be issued. This section also indicates the minimum amounts of credits/loans to be extended to selected countries and applicable extended repayment terms.

G. **Foreign Military Sales Credit Standards.** Section 34 of the AECA prescribes that the President shall establish standards and criteria for credit and guaranty transactions in accordance with the foreign, national security and financial policies of the US. Executive Order 11958 delegates this authority to the Secretary of State with the qualification that to the extent the standards and criteria for credit and guaranty transactions are based upon national security and financial policies, the Secretary of State shall obtain the prior concurrence of the Secretary of Defense and the Secretary of Treasury, respectively.

in the Standardized Training Listing (STL). (If sanctions are lifted, these students will be considered for late admittance or admittance to the next available course of study or training program.)

g. IMET funded MTTs and LTDs may not be dispatched or extended beyond their scheduled termination date.

h. IMET funded training aids may not be issued from supply nor placed on contract by the supplying agency.

i. The foregoing sanctions remain in effect until payment is received or a bilateral debt rescheduling agreement is signed by both the country and the USG. All concerned will be advised by DSAA of a change in status of sanctions.

2. Cash FMS purchases are not subject to these restrictions. Cash payments from national funds may be used to sustain existing FMS cases or fund new cases when available credit or MAP funds cannot be committed. However, in most instances it is preferred that a country under the Brooke Amendment use its available national funds to eliminate the arrearage rather than undertake new programs. (NOTE: If cash or FMSCR financing is used to finance, in whole or part, any existing MAP financed case, any preferential pricing attributable to 100 percent MAP financing under section 503(a)(3) of the FAA of 1961, as amended, is void and FMS pricing guidelines must be applied to the entire case in accordance with paragraph 71010 of DoD 7290.3-M. This action could increase the value of the case significantly and may not be in the best interest of the Purchaser or the USG.)

3. Pipeline deliveries on materiel blanket open-ended cases implemented prior to the effective date of sanctions are allowed to continue regardless of term.

4. Requisitions on materiel blanket open-ended cases may be processed.

E. DSAA Role as Guarantor of FFB Loans. Overdue repayments on FFB (guaranteed) loans which remain unpaid ten days after the payment due-date are paid by the DSAA from its Guaranty Reserve Fund. This action does not in any way relieve the borrowing country from its obligation to repay--interest continues to accrue on the overdue amount until the repayment is received from the borrowing country.

[Tables 902-1 and 902-2 have been deleted.]

TABLE 902-3
LOAN AGREEMENT

LOAN AGREEMENT made and entered into as of the _____ day of _____ between the Government of _____ ("Borrower") and the Government of the United States of America as represented by the Defense Security Assistance Agency ("DSAA").

WHEREAS, the Borrower desires to enter into purchase contracts ("Purchase Agreements") with Military Departments and Agencies of the United States Department of Defense ("DoD"), various United States commercial suppliers, or both of them for the purchase of defense articles, defense services, and design and construction services of United States origin (with regard to articles and services financed hereunder, hereinafter collectively referred to as "Defense Items"); and

WHEREAS, the Borrower has requested a loan from the Government of the United States of America (hereinafter sometimes referred to as the "Lender") to finance payments required to be made by the Borrower under the Purchase Agreements; and

WHEREAS, it has been determined that the aforesaid requested loan will facilitate the purposes of the Arms Export Control Act, as amended ("Act").

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. COMMITMENT

1.1 Subject to the terms and conditions of this Loan Agreement ("Agreement"), the Lender agrees to make advances to the Borrower from time to time in an aggregate principal amount not to exceed _____ dollars (US \$ _____), the obligation of the Lender under this section being hereinafter called the "Loan Proceeds."

1.2 Before requesting any advance hereunder, the Borrower shall execute and deliver to the DSAA a single promissory note ("Note") substantially in the form attached hereto as Annex I.

1.3 The Loan Proceeds shall be available only to finance the purchase of Defense Items by the Borrower pursuant to Purchase Agreements approved for such financing by the DSAA in accordance with the policies and procedures in effect at the time such financing is approved. The current DSAA procedures for obtaining this approval are, without being incorporated herein, attached hereto as Exhibit A. Each authorization for the Borrower to enter into a Purchase Agreement in implementation of this Loan Agreement shall be separately communicated by the DSAA in writing to the Borrower substantially in the form of the Attachment to Exhibit A. The authorization shall specify the case identifier assigned by the DSAA to, and the amount of financing authorized for, the approved Purchase Agreement.

TABLE 902-3. Loan Agreement.

1.4 (a) Each advance hereunder by the Lender shall be made upon the delivery to the DSAA of a letter request from the Borrower. The letter request shall be in the form set forth in Annex II and shall be delivered to the DSAA not less than fifteen business days before the disbursement date. Documentation in support of letter requests shall be in accordance with DSAA policies and procedures in effect at the time the Purchase Agreement, for which the advance is requested, was approved by the DSAA. The current DSAA requirements for documentation supporting requests for disbursement are, without being incorporated herein, attached hereto as Exhibit B.

(b) Not more than two advances shall be requested in any single month, except that an advance of \$100,000 or more may be requested at any time. An advance may consist of payments to more than one supplier.

(c) Advances made to the Borrower shall be authorized in accordance with Requests for Advances, which shall be prepared by the Borrower in the form of Annex II hereof and forwarded to the Lender for each advance. Each advance shall bear interest, as provided in Section 2, commencing with the disbursement date of the advance.

(d) Subject to the terms and conditions of this Loan Agreement, the Lender agrees to make advances to the Borrower from time to time for a period of three (3) years from the date of this Loan Agreement.

SECTION 2. REPAYMENT AND ASSIGNABILITY.

2.1 (a) The Borrower hereby agrees to repay the principal of the advances made under this Agreement semiannually in accordance with the repayment schedule set forth in the Note ("Schedule"), and to pay interest on such outstanding unpaid principal as provided in the Note. All payments of principal and interest shall be made in immediately available funds of lawful money of the United States of America, at the Federal Reserve Bank of New York, as provided in Annex III hereof.

(b) If on any installment date in the Schedule the outstanding balance of the advances is less than the amount of principal due, the Borrower shall, on such installment date, repay the entire outstanding balance, plus accrued interest thereon. If thereafter the Borrower shall avail itself of the Loan Proceeds in an amount which would have been payable on a prior installment date but for the provisions of the immediately preceding sentence, such amount, plus accrued interest thereon, shall be repayable on the next succeeding installment date of the Schedule occurring after the disbursement of such amount and the scheduled principal repayable on that date shall be increased by such amount.

(c) If by the final date specified in Section 1.4(d) hereof the Borrower has not availed itself of the entire amount of the Loan Proceeds, and if such date is not extended by amendment to this agreement, the installments of principal in the Schedule shall be reduced in the inverse order of the maturity thereof to the extent of the unused balance of the Loan Proceeds.

(d) The Borrower may prepay principal in part or in full without penalty or premium, but such prepayment must be accompanied by payment of interest on the amount prepaid to the date of repayment and must be applied to the satisfaction of installments of principal repayments in the inverse order of their maturities.

TABLE 902-3. (Continued)

2.2 Whenever any payment under the Note shall be due on a Saturday, Sunday, or a day on which the DoD or the Federal Reserve Bank of New York are not open for business, such payment shall be made on the first day thereafter on which the DoD and the Federal Reserve Bank of New York are open for business, and such extension of time shall be included in computing interest in connection with such payment, but excluded from the next interest period, if any.

2.3 If the Borrower fails to make payment when and as due of any installment of principal or interest under the Note, the amount payable shall be overdue installment of principal or interest, plus interest thereon at the rate specified in the Note, from the due date to the date of payment.

2.4 The Lender may sell or assign the Note at any time, in whole or in part. However, if the Lender intends to sell or assign the Note or any part thereof to any entity other than an agency of the United States, the Lender shall give the Borrower written notice thereof not less than fifteen days prior to the date of the intended sale or assignment; in that event, the Borrower shall have the option, to be exercised by giving written notice to the Lender at least five days prior to the intended sale or assignment, to purchase the entire Note on such terms and conditions as are established by the Lender.

SECTION 3. REPRESENTATIONS AND WARRANTIES

The Lender has entered into this Agreement and will make the loan provided for herein on the basis of the following representations and warranties of the Borrower:

(a) The Borrower has full power, authority and legal right to incur the indebtedness contemplated in this Agreement on the terms and conditions contained herein, and to execute, deliver and perform this Agreement and the Note;

(b) The execution, delivery and performance of this Agreement and the Note will not violate any provisions of, and have been duly and validly authorized under, the laws of the Borrower, and all actions necessary to authorize the borrowings hereunder and the execution, delivery and performance of this Agreement and the Note have been duly taken; and

(c) This Agreement has been, and the Note when issued will be, duly executed and delivered by persons duly authorized, and this Agreement constitutes, and the Note when issued will constitute, the valid, legal and binding obligation of the Borrower, enforceable in accordance with their respective terms.

SECTION 4. CONDITIONS OF LENDING

4.1 The obligation of the Lender to make advances hereunder is subject to the conditions precedent that, prior to the first disbursement, it shall have received, satisfactory to it in form and substance:

(a) Evidence of the authority of each person who (i) signed this Agreement on behalf of the Borrower, (ii) signed or will sign the Note, and (iii) will sign on behalf of the Borrower, any notices, requests for advances, or other documents contemplated by this Agreement. Evidence of this authority shall be in the form of the letter at Annex IV; and

(b) The Note executed by the duly authorized representative of the Borrower.

TABLE 902-3. (Continued)

4.2 The obligation of the Lender to make any advance hereunder is subject to the further conditions precedent that:

- (a) No event of default within the meaning of Section 6 hereof shall have occurred;
- (b) The DSAA shall have received a letter request executed by the duly authorized representative of the Borrower and prepared in accordance with the procedures for disbursement of Loan Proceeds; and
- (c) All legal matters incident to the Note, and this Agreement shall be satisfactory to the General Counsel of the DSAA.

SECTION 5. COVENANTS

The Borrower covenants and agrees that from the date of this Agreement and so long as any amounts remain unpaid on the Note or otherwise under this Agreement and at least until ten years has elapsed from the date first above written:

- (a) All payments of principal and interest on the Note and other fees and expenses shall be made free and clear of, and without deduction for, any and all taxes, levies, duties, fees, charges, deductions, withholdings, restrictions or conditions of any nature whatsoever now or hereafter imposed, levied, collected or assessed with respect thereto, by or with respect to the Borrower or any authority thereof or therein;
- (b) Any claim which it may now or hereafter have against any person, corporation or other entity (including without limitation, the Government of the United States, DoD, DSAA and any supplier of Defense Items) in connection with any transaction, for any reason whatsoever, shall not affect the obligation of the Borrower to make the payments required to be made to the Lender under this Agreement or the Note, and shall not be asserted as a defense to the payment of such obligation or as a setoff, counterclaim, or deduction against such payments;
- (c) It will pay all taxes, now or hereafter in effect, imposed with respect to this Agreement or the Note by any government other than the Government of the United States of America and will save and hold harmless any holder of the Note from all losses or liabilities resulting from any delay or omission to pay such taxes;
- (d) Any legal action or proceeding against it by the Lender with respect to this Agreement or the Note may be brought in the Courts of the District of Columbia or in the United States District Court for the District of Columbia or in the courts of the Borrower, as the Lender may elect, and by execution and delivery of this Agreement, the Borrower submits to each jurisdiction. In the case of the Courts of the District of Columbia or of the United States District Court for the District of Columbia, the Borrower consents to the service of process out of said courts by mailing copies of such process by registered United States mail, postage prepaid, to it at its address set forth in Section 8.3(a) hereof;
- (e) The Borrower shall make all of its records and files relating to its use or other disposition of the Loan Proceeds and to any Purchase Agreement approved for financing with such Loan Proceeds available upon request for inspection by the Department of Defense of the Lender or by the Department of Justice of the Lender;

TABLE 902-3. (Continued)

(f) The Borrower shall make its officials and its employees as well as its nationals who are neither officials nor employees available, to the fullest extent allowed by the laws of the Borrower, for interview by the Department of Defense of the Lender or by the Department of Justice of the Lender in connection with any investigation of crime under the laws of the Lender arising out of the use or other disposition of any of the Loan Proceeds or arising out of any Purchase Agreement approved for financing with such Loan Proceeds; and,

(g) The Borrower shall notify in writing each commercial supplier with which it has a Purchase Agreement approved for financing with the Loan Proceeds promptly upon its receipt of notification by DSAA of such approval that United States Government funds are being and will be used to finance such Purchase Agreement.

SECTION 6. DEFAULTS

6.1 A condition of default shall exist upon the occurrence of any of the following events of default:

(a) If the Borrower fails for a period of ten calendar days to make any payment of principal or interest on the Note when due;

(b) If a default shall have occurred on any other loan to the Borrower by the DSAA, a holder of the Note, or the Government of the United States of America or any agency thereof;

(c) If any representation or warranty made by the Borrower herein or any certification of the Borrower required herein proves to be at any time incorrect in any material respect;

(d) If (i) the Borrower defaults in the performance of any of the provisions in Sections 1, 2 or 7 hereof, and (ii) such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given by the DSAA to the Borrower; or

(e) If the Borrower defaults in the performance of any other provision in this Agreement, and such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given to the Borrower.

6.2 Upon each and any such event, the holder of the Note may declare immediately due and payable the unpaid principal and accrued interest on the Note and any other note or other indebtedness of the Borrower held by the holder of the Note and thereupon such amount shall become immediately due and payable without protest, presentment, notice or other demand of any kind, all of which are hereby expressly waived by the Borrower, and if such event occurs before the full amount of the Loan Proceeds has been disbursed or before any other loan commitment of the holder of the Note to the Borrower has been fulfilled, the holder of the Note may terminate or suspend such disbursements and commitments. The Borrower shall pay all costs and expenses, including attorney fees incurred in the collection of amounts due hereunder after default.

SECTION 7. TRANSPORTATION

7.1 All Defense Items to be transported from the United States by ocean vessel shall be transported in vessels of United States registry unless a waiver is obtained from the DSAA or the Maritime Administration, US Department of Transportation ("MARAD"). In each instance where a supplier will arrange ocean transportation for Defense Items being purchased, the Borrower shall give written notice of this requirement to the supplier:

TABLE 902-3. (Continued)

and (a) for Purchase Agreements already entered into, within ten days of the date hereof,

(b) for Purchase Agreements hereafter entered into, on the date the Purchase Agreement is consummated.

7.2 The Borrower shall provide the following information to the Director, Office of Market Development (MARAD), with respect to any ocean or air shipments of Defense Items from the United States: (a) FMS Case Identifier, (b) FAS value of cargo, (c) supplier, (d) freight forwarder, (e) freight cost, (f) name of vessel or airline, (g) vessel/aircraft flag of registry, (h) date of loading, (i) port or place of loading, (j) port or place of final discharge, (k) cargo description, (l) gross weight of cargo, and (m) cubic measurement of cargo. This information shall be provided as soon as possible and in any event not later than 90 days from the date of shipment, and shall contain a reference to this Agreement.

7.3 Advances hereunder may be used to pay ocean or air freight costs for transportation of only those Defense Items financed by this loan and only if such items are carried on vessels or aircraft of United States registry.

SECTION 8. MISCELLANEOUS

8.1 The Borrower and the Lender may agree at any time hereafter to apply a portion or portions of Loan Proceeds that have not been approved to finance Purchase Agreements (in accordance with Section 1.3 hereof) as a participation or participations in credit(s) furnished to the Borrower for the financing of the purchase of Defense Items by the Borrower pursuant to Purchase Agreements so approved. Such participation(s) shall be limited to those in credit(s) furnished by any individual, corporation, partnership, or other juridical entity doing business in the United States, and the Borrower and the Lender shall agree for that purpose with the entity furnishing said credit(s) on the terms and conditions under which the credit(s) will be furnished.

8.2 No omission or delay on the part of the Lender in exercising any right hereunder shall operate as a waiver of such right or any other right hereunder. The rights and remedies prescribed herein are cumulative and not in limitation of or substitution for other rights or remedies of the Lender.

8.3 Any notice, demand or other communication hereunder shall be deemed to have been given if in writing and actually delivered at the addresses shown below:

(a) In the case of the Borrower to:

(b) In the case of MARAD to:

Director, Office of Market Development
Maritime Administration
US Department of Transportation
Washington, D.C. 20590-0001

TABLE 902-3. (Continued)

(c) In the case of the Lender to:

Director, Defense Security Assistance Agency
The Pentagon
Washington, D.C. 20301-2800

or to such other addresses as may be specified in writing.

8.4 Notwithstanding Section 1.3 hereof, the Loan Proceeds shall also be available to make payment of principal and interest owed to the United States Government under any loan made or guaranteed pursuant to the Arms Export Control Act except principal and interest not due at the time payment is to be made. Advances requested to be made for such purpose shall be made upon delivery to the DSAA of a letter request from the Borrower not less than fifteen business days before the disbursement date.

8.5 This Agreement and the Note shall be construed and interpreted in accordance with the laws of the United States of America, and if none is applicable, with those of the District of Columbia, United States of America.

8.6 This Agreement shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective successors and assigns, except that the Borrower may not assign its rights or obligations hereunder without the prior written consent of the DSAA. All agreements, covenants, representations and warranties made herein shall survive the delivery of the Note and the making of the advances hereunder.

8.7 This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute a single instrument. Annexes I, II, III, and IV attached hereto are, by this reference, made a part of this Agreement.

8.8 All notices, demands, or other communications given under this Agreement, unless submitted in the English language, shall be accompanied by an English translation and such translation shall govern.

8.9 In case any one or more of the provisions contained in this Agreement or the Note should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired. This Agreement or the Note may be amended only with the mutual written consent of the Borrower, Lender, and holder of the Note.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and representatives on the day and year first above written.

GOVERNMENT OF _____

By _____

GOVERNMENT OF THE UNITED STATES OF AMERICA

By _____

TABLE 902-3. (Continued)

ANNEX I
PROMISSORY NOTE

FOR VALUE RECEIVED, THE GOVERNMENT OF _____ ("Borrower") hereby promises to pay to the Government of the United States of America ("Lender") such sums as may be advanced by the DSAA hereunder. The Lender shall not be obliged to advance more than _____ dollars (US \$_____).

The principal amount advanced under this Note shall be repaid in _____ installments of \$_____ and _____ installment of \$_____. The installments shall be due and payable on _____ and _____ of each year commencing on _____, with the final installment due on _____. A schedule of the principal amounts due is attached hereto.

Advances shall bear interest on the unpaid principal balance outstanding at a rate of _____ percent per annum on _____ and _____ of each year commencing on _____.

Interest shall be calculated on the basis of a year of 365 days and the actual number of days elapsed. The total amount of advances hereunder shall be repaid, with right of prepayment, in accordance with the schedule attached to this Note.

Both principal and interest shall be paid in lawful money of the United States in immediately available funds at the Federal Reserve Bank of New York.

This Note is issued at Washington, D.C., pursuant to the Loan Agreement dated _____ between the Borrower and the Lender, and is subject to the terms and entitled to the benefits of that Agreement.

GOVERNMENT OF _____

Date: _____ By _____ (SEAL)

TABLE 902-3. (Continued)

ATTACHMENT TO
ANNEX IPRINCIPAL REPAYMENT SCHEDULE

The first	<u>(amount)</u>	shall be repaid on	<u>(date)</u>
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The next	_____	shall be repaid on	_____
The last	_____	shall be repaid on	_____

Total

TABLE 902-3. (Continued)

ANNEX II

FORM OF LETTER REQUEST FOR ADVANCE OF FUNDS

Director
Defense Security Assistance Agency
Pentagon
Washington, D.C. 20301-2800

Dear Sir:

In accordance with the provisions of Section 1.4 of our Loan Agreement with the Government of the United States of America dated _____, the Government of _____ hereby requests the DSAA approval and disbursement of an advance of _____ from that loan.

The Government of _____ acknowledges that advances hereunder may be used to pay ocean and air freight costs only for transportation of Defense Items being carried on vessels or aircraft of United States registry, and that all materiel financed from this loan which is to be shipped by ocean surface transportation must be transported in privately-owned vessels of United States registry unless a waiver is obtained in accordance with Section 7 of the Loan Agreement. In furtherance of this requirement, the suppliers of the materiel being financed with this advance were so notified and given appropriate shipping instructions.

In connection with this request, the Government of _____ confirms that, as appropriate: the defense articles and services for which payment is requested have been satisfactorily delivered; or the advance payment requested is in accordance with requirements of the contract; or the progress payment requested is based on the contractor's satisfactory progress and is in accordance with requirements of the contract; and that payment is therefore due and unpaid under the Purchase Agreement _____ with the _____.

Sincerely,

GOVERNMENT OF _____

By _____
(Name and Title)

TABLE 902-3. (Continued)

ANNEX III

REPAYMENT PROCEDURES

All repayments shall be in immediately available US dollars at the New York Federal Reserve Bank, New York, New York, on the day payment is due. To this end, payment shall be made by either of the following methods.

The New York Federal Reserve Bank maintains accounts for many foreign central banks. The Borrower may make payment by a direct transfer from its central bank (or a central bank being utilized by it for that purpose) to the New York Federal Reserve Bank. In effecting the transfer, the central bank should use the exact payment account information provided below, and indicate to the New York Federal Reserve Bank that the funds are for credit to the United States Treasury, for credit to the account of the Defense Security Assistance Agency:

021030004 (Note 1)
 (Note 2) (Note 3) Payment Amount (in US dollars)
 LEAVE BLANK LINE HERE - for Federal Reserve Bank use only
 TREASURY NYC/CTR/BNF=/AC-00005037 OBI=(Begin third party text -
 may use up to 219 characters with this optimum format;
 this text should include the precise loan installments(s)
 to which the remitted amount should be credited.)

<u>Notes:</u>	1	Type-Subtype-CD	Provided by sending bank.
	2	Sender-DFI-No.	Provided by sending bank.
	3	Sender-REF-No.	Optional information provided by sending bank.

Should the Borrower choose to use the Federal Reserve wire payment system ("Fedwire"), a system for making instantaneous transfers of funds between US banks, the Borrower should instruct its local US bank to transfer the funds to the New York Federal Reserve Bank by Fedwire on the payment date and to include in the wire the payment account information set forth in the preceding paragraph.

The payment account information must be exactly in the form shown above (including spacing between words or numbers) to insure timely receipt by the DSAA, and to avoid the assessment of late charges.

Checks, drafts, and other orders for payment do not constitute immediately available funds and therefore do not meet the requirements of the Promissory Note. These instruments will be accepted but funds will be credited to accounts only after confirmation by the US Treasury.

TABLE 902-3. (Continued)

ANNEX IV

DESIGNATION OF AUTHORITY

1. The Borrower shall provide to the DSAA a written communication that evidences the authority for incumbents of specifically named offices or specifically named individuals to sign the loan documents on its behalf. As a minimum the communication will contain the following:

Director
 Defense Security Assistance Agency
 The Pentagon
 Washington, D.C. 20301-2800

Dear Sir:

The following officials of the Government of _____ are duly authorized to execute and deliver documents as indicated below in connection with a loan agreement in the amount of _____ between the Government of the United States and this Government:

a. LOAN AGREEMENT:

[Person's Name(s) and/or Title(s) of Office(s)]

b. PROMISSORY NOTE:

[Person's Name(s) and/or Title(s) of Office(s)]

c. REQUESTS FOR DISBURSEMENT AND SUCH OTHER DOCUMENTS AS MAY BE REQUIRED UNDER THIS LOAN AGREEMENT:

[Person's Name(s) and/or Title(s) of Office(s)]

Very truly yours,

Date: _____ By _____
 (Name and Title Typed)

2. The designation of authority letter shall be signed by an appropriate person empowered under the laws of the Borrower to delegate to selected officials authority to sign debt obligations or the other documents as stated in the name of its Government. The Borrower shall submit a designation of authority letter to DSAA containing the names and signatures of newly designated officials whenever changes occur.

TABLE 902-3. (Continued)

EXHIBIT A

PROCEDURES FOR OBTAINING DSAA APPROVAL
FOR
LOAN FINANCING OF PURCHASE AGREEMENTS

1. General

The Defense Security Assistance Agency (DSAA) is responsible for approving loan financing of all Purchase Agreements that the Borrower wishes to finance with proceeds from the loan issued by the DSAA under the provisions of the Arms Export Control Act. The use of loan proceeds shall be approved for the financing of purchases by the Borrower only of defense articles, defense services, and design and construction services of US origin. In reviewing requests for financing of Purchase Agreements, the DSAA is guided by objectives established by the US Government for improvement of the Borrower's defense capabilities, by generally accepted financing practices, and by United States laws, regulations and policies in effect at the time the financing is requested. The US Government reserves the right to refuse to finance any purchase agreement and is not required to explain its reason(s) for such refusal.

2. Purchases from US Military Departments

a. The US Military Departments effect Foreign Military Sales (FMS) by means of the Letter of Offer and Acceptance (LOA), Department of Defense Form 1513. Each LOA, also referred to as an FMS case, is identified by a three digit alphabetic code referred to as "case identifier". If a Borrower desires to fund an FMS case from this loan, it must so inform the Military Department prior to the issuance of the LOA. In turn, the Military Department will reflect the desired loan financing on the LOA and submit it to the DSAA Comptroller for approval and countersignature.

b. When the Borrower wishes to use FMS loan funds to pay amounts due under an FMS case which has already been established as a "cash" or "dependable undertaking" case, the Borrower must ask the pertinent Military Department to convert all or part of that case from cash to loan funding. The Military Department must also submit the amended case to the DSAA Comptroller for review and approval to support the requested change in funding.

c. For each case it approves for financing from the FMS loan, the DSAA Comptroller will reserve funds from the uncommitted loan balance in an amount equal to the entire estimated cost of the FMS case, or, as the situation may be, that part of the FMS case requested for loan funding. The portion of the loan so reserved will then be available only for such payments. Payments, either for deliveries of materiel or progress payments, from advances requested by the Borrower, will be made by the DSAA Comptroller against the amount reserved for that purpose.

3. Purchases from Commercial Firms.

a. Loan funds may be used to finance purchases from US Commercial Suppliers, provided such financing has been approved by the DSAA. In order that the DSAA may advise a Borrower whether it will approve such financing, the Borrower must provide a copy of the

TABLE 902-3. (Continued)

contract or proforma purchase order to the DSAA Comptroller for its review, preferably before the Borrower obligates itself to a purchase which it desires to be financed with loan funds. Before the DSAA can give its final approval of loan financing, the commercial supplier must submit to the DSAA the "Contractor's Certification and Agreement with Defense Security Assistance Agency" as illustrated in Exhibit B. The Borrower should allow at least 90 days for the DSAA's review of the contract for approval of loan financing. Each loan financing approval shall be separately communicated by the DSAA in writing to the Borrower by use of the "Loan Financing Approval" illustrated as an attachment to this exhibit.

b. Loan financing shall be approved and made available only to finance the purchase of defense articles and services authorized for such financing by DSAA in accordance with policies and procedures in effect at the time such financing is approved. Current DSAA policies pertinent to approval of loan financing for purchase agreements are included in the Security Assistance Management Manual.

c. In addition to the approval mentioned above, the DSAA, at the time it approves requests for advances (disbursements) of funds pursuant to Annex II, also will require from the Borrower invoices properly executed by the commercial supplier, and bills-of-lading and statements, as may be applicable, substantially in the formats described in paragraph 4 of Exhibit B (DSAA Requirements for Documentation to Support Requests for Advances).

d. For each commercial purchase agreement for which financing is approved, the DSAA Comptroller will assign a case identifier and will provide to the Borrower a Loan Financing Approval letter in the form of the Attachment to this Exhibit. This letter will provide the case identifier assigned to the case. For each case it approves for loan financing, the DSAA Comptroller will reserve loan funds in the amount requested. The loan funds so reserved will then be available only for payments on that case, unless the Borrower directs otherwise. Payments for deliveries, progress, or advance payments, will be processed by the DSAA Comptroller against the amount reserved for the approved purchase agreement.

e. The DSAA Comptroller will also provide letters to the commercial firm informing it of conditions of loan financing and certifications required as prerequisites to the DSAA approving FMS loan financing for the purchase agreement, and indicating the DSAA approval of financing of the purchase agreement.

TABLE 902-3. (Continued)

ATTACHMENT TO
EXHIBIT A

LOAN FINANCING APPROVAL

Dear Sir:

Pursuant to the provisions of Section 1.3 of the Loan Agreement between your Government and the US Government, and in response to your recent request for loan financing of a purchase directly from a commercial firm, financing for the following purchase arrangement is hereby approved:

Supplier:

Contract or Proforma Invoice number and date:

Case Identifier
Assigned to
This Purchase

Funds Previously
Reserved for
This Purchase

Funding
Revision

Funds Reserved
for
This Purchase

Sincerely,

TABLE 902-3. (Continued)

EXHIBIT B

**DSAA REQUIREMENTS FOR DOCUMENTATION
TO SUPPORT REQUESTS FOR ADVANCES**

1. This Exhibit describes the documents which the Borrower must furnish to the DSAA Comptroller in support of requests for advances.
2. Whenever the Borrower desires a disbursement of FMS loan funds, its authorized representative(s), as designated pursuant to provisions of the Loan Agreement, shall forward the written request, prepared in accordance with Annex II of the Agreement, to the DSAA Comptroller, The Pentagon, Washington, D.C. 20301-2800, not less than 15 business days before the desired disbursement date.
3. With each request for an advance, the Borrower will provide a letter addressed to the Director, Defense Security Assistance Agency, substantially in the format as follows:

Dear Sir:

In accordance with the provisions of Section 1.4 of our Loan Agreement with the Government of the United States of America dated (date) , the Government of hereby requests the DSAA approval and disbursement of an advance of (amount) from that loan.

The Government of acknowledges that advances hereunder may be used to pay ocean and air freight costs only for transportation of Defense Items being carried on vessels or aircraft of United States registry, and that all materiel financed from this loan which is to be shipped by ocean surface transportation must be transported in privately owned vessels of United States registry unless a waiver is obtained in accordance with Section 7 of the Loan Agreement. In furtherance of this requirement, the suppliers of the materiel being financed with this advance were so notified and given appropriate shipping instructions.

In connection with this request, the Government of confirms that, as appropriate: the defense articles and services for which payment is requested have been satisfactorily delivered; or the advance payment requested is in accordance with requirements of the contract; or the progress payment requested is based on the contractor's satisfactory progress and is in accordance with requirements of the contract; and that payment is therefore due and unpaid under the Purchase Agreement (Case Identifier) with the (Supplier) .

Sincerely,

GOVERNMENT OF

By
(Name and Title)

TABLE 902-3. (Continued)

4. Whenever funds from this loan are to be used to pay a Commercial Supplier, the Borrower shall also provide invoices and bills-of-lading in support of each request for an advance, as follows:

a. As a minimum, the invoices must: (1) reflect the amount due and payment due date; (2) specify whether the amount billed is a down payment, progress/milestone payment, or delivery payment; (3) list the items and services delivered for which payment is requested; (4) indicate by a separate entry the transportation costs, if not included in the item price; (5) designate the FOB point and "ship to" address; (6) designate the address to where the payment should be sent; (7) if the billed amount consists of "cost, insurance and freight" (CIF) terms for delivery of materiel to a destination point outside the United States, provide the name of the carrier(s) of the materiel from the US Port of Embarkation; and (8) be supported by a copy of freight bills, air waybills, or rated on-board bills-of-lading, fully accounting for the cost of inland and export transportation of the items covered by the invoice for which payment is requested. If the Contractor pays for the transportation, whether the transportation cost is included in the price of the item or billed separately to the Purchaser, bills-of-lading or air waybills must be submitted with the invoice for which payment is requested. A copy of the invoice for the cost of any insurance coverage on the shipment must also be submitted along with the shipping documents.

b. If the Purchaser is paying the export transportation cost with other than US Government funds (i.e., the Contractor is not paying for the export transportation cost) the Contractor will submit a certification with the invoice as follows:

The (Contractor) acknowledges that US Government funds are being used by the Government of _____ to finance this purchase and certifies that no shipping cost has been incurred by this firm for exporting this materiel from the United States and no shipping cost is included in the sales price or otherwise included in the invoice amount for which payment is requested.

c. All Contractor's invoices must be submitted with the following certification:

The (Contractor) acknowledges US Government funds are being used by the Government of _____ to finance this purchase and certifies that the invoice(s) submitted with respect thereto are free from any material false statement or misrepresentation and do not omit any material facts.

d. Before DSAA authorizes the use of loan funds to finance any purchase from a Commercial Supplier, the Borrower must ensure that the Commercial Supplier completes and submits to the DSAA the "Contractor's Certification and Agreement with Defense Security Assistance Agency" as illustrated in Table 902-7.

5. Whenever funds from this loan are to be used to pay an amount owed on an FMS case, the Borrower shall also provide a listing of the FMS cases for which payment is requested and the amounts applicable to each.

TABLE 902-3. (Continued)

TABLE 902-3A

GRANT AGREEMENT

GRANT AGREEMENT made and entered into as of the _____ day of _____ between the Government of _____ ("Grant Recipient") and the Government of the United States of America as represented by the Defense Security Assistance Agency ("DSAA").

WHEREAS, the Grant Recipient desires to enter into purchase contracts ("Purchase Agreements") with Military Departments and Agencies of the United States Department of Defense ("DoD"), various United States commercial suppliers, or both of them for the purchase of defense articles, defense services, and design and construction services of United States origin (with regard to articles and services financed hereunder, hereinafter collectively referred to as "Defense Items"); and

WHEREAS, the Grant Recipient has requested a grant from the Government of the United States of America (hereinafter sometimes referred to as the "Grantor") to finance payments required to be made by the Grant Recipient under the Purchase Agreements; and

WHEREAS, it has been determined that the aforesaid requested grant will facilitate the purposes of the Arms Export Control Act, as amended ("Act").

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. COMMITMENT

1.1 Subject to the terms and conditions of this Grant Agreement ("Agreement"), the Grantor agrees to make advances to the Grant Recipient from time to time in an aggregate principal amount not to exceed _____ dollars (US \$ _____), the obligation of the Grantor under this section being hereinafter called the "Grant Proceeds."

1.2 The Grant Proceeds shall be available only to finance the purchase of Defense Items by the Grant Recipient pursuant to Purchase Agreements approved for such financing by the DSAA in accordance with the policies and procedures in effect at the time such financing is approved. The current DSAA procedures for obtaining this approval are, without being incorporated herein, attached hereto as Exhibit A. Each authorization for the Grant Recipient to enter into a Purchase Agreement in implementation of this Grant Agreement shall be separately communicated by the DSAA in writing to the Grant Recipient substantially in the form of the Attachment to Exhibit A. The authorization shall specify the case identifier assigned by the DSAA to, and the amount of financing authorized for, the approved Purchase Agreement.

1.3 (a) Each advance hereunder shall be made upon the delivery to the DSAA of a letter request from the Grant Recipient. The letter request shall be in the form set forth in Annex II and shall be delivered to the DSAA not less than fifteen business days before the disbursement date. Documentation in support of letter requests shall be in accordance with DSAA policies and procedures in effect at the time the Purchase Agreement, for which the advance is requested, was approved by the DSAA. The current DSAA requirements for documentation supporting requests for disbursement are, without being incorporated herein, attached hereto as Exhibit B.

TABLE 902-3A. Grant Agreement.

(b) Not more than two advances shall be requested in any single month, except that an advance of \$100,000 or more may be requested at any time. An advance may consist of payments to more than one supplier.

(c) Advances made to the Grant Recipient shall be authorized in accordance with Requests for Advances, which shall be prepared by the Grant Recipient in the form of Annex II hereof and forwarded to the Grantor for each advance.

SECTION 2. REPRESENTATIONS AND WARRANTIES

The Grantor has entered into this Agreement and will make the grant provided for herein on the basis of the following representations and warranties of the Grant Recipient:

(a) The Grant Recipient has full power, authority and legal right to enter into this Agreement on the terms and conditions contained herein, and to execute, deliver and perform this Agreement ;

(b) The execution, delivery and performance of this Agreement will not violate any provisions of, and have been duly and validly authorized under, the laws of the Grant Recipient, and all actions necessary to authorize the borrowings hereunder and the execution, delivery and performance of this Agreement have been duly taken; and

(c) This Agreement has been, duly executed and delivered by persons duly authorized, and this Agreement constitutes the valid, legal and binding obligation of the Grant Recipient, enforceable in accordance with its terms.

SECTION 3. CONDITIONS OF GRANT

3.1 The obligation of the Grantor to make advances hereunder is subject to the conditions precedent that, prior to the first disbursement, it shall have received, satisfactory to it in form and substance, evidence of the authority of each person who (i) signed this Agreement on behalf of the Grant Recipient and, (ii) will sign on behalf of the Grant Recipient, any notices, requests for advances, or other documents contemplated by this Agreement. Evidence of this authority shall be in the form of the letter at Annex I.

3.2 The obligation of the Grantor to make any advance hereunder is subject to the further conditions precedent that:

(a) No event of default within the meaning of Section 5 hereof shall have occurred;

(b) The DSAA shall have received a letter request executed by the duly authorized representative of the Grant Recipient and prepared in accordance with the procedures for disbursement of Grant Proceeds; and

(c) All legal matters incident to this Agreement shall be satisfactory to the General Counsel of the DSAA, or his successor.

SECTION 4. COVENANTS

The Grant Recipient covenants and agrees that from the date of this Agreement at least until ten years has elapsed from the date first above written:

(a) It will pay all taxes, now or hereafter in effect, imposed with respect to this Agreement by any government other than the Government of the United States of America and will save and hold harmless from all losses or liabilities resulting from any delay or omission to pay such taxes.

(b) Any legal action or proceeding against it by the Grantor with respect to this Agreement may be brought in the Courts of the District of Columbia or in the United States District Court for the District of Columbia or in the courts of the Grant Recipient, as the Grantor may elect, and by execution and delivery of this Agreement, the Grant Recipient submits to each jurisdiction. In the case of the Courts of the District of Columbia or of the United States District Court for the District of Columbia, the Grant Recipient consents to the service of process out of said courts by mailing copies of such process by registered United States mail, postage prepaid, to it at its address set forth in Section 7.2(a) hereof.

(c) The Grant Recipient shall make all of its records and files relating to its use or other disposition of the Grant Proceeds and to any Purchase Agreement approved for financing with such Grant Proceeds available upon request for inspection by the Department of Defense of the Grantor or by the Department of Justice of the Grantor.

(d) The Grant Recipient shall make its officials and its employees as well as its nationals who are neither officials nor employees available, to the full extent allowed by the laws of the Grant Recipient, for interview by the Department of Defense of the Grantor or by the Department of Justice of the Grantor in connection with any investigation of crime under the laws of the Grantor arising out of the use or other disposition of any of the Grant Proceeds or arising out of any Purchase Agreement approved for financing with such Grant Proceeds.

(e) The Grant Recipient shall notify in writing each commercial supplier with which it has a Purchase Agreement approved for financing with the Grant Proceeds promptly upon its receipt of notification by DSAA of such approval that United States Government funds are being and will be used to finance such Purchase Agreement.

SECTION 5. DEFAULTS

5.1 A condition of default shall exist upon the occurrence of any of the following events of default:

(a) If a default shall have occurred on any loan made to or guaranteed for the Grant Recipient by the DSAA or the Government of the United States of America or any agency thereof;

(b) If any representation or warranty made by the Grant Recipient herein or in any certification of the Grant Recipient required herein proves to be at any time incorrect in any material respect;

TABLE 902-3A. (Continued)

(c) If (i) the Grant Recipient defaults in the performance of any of the provisions in Section 6 hereof, and (ii) such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given by the DSAA to the Grant Recipient; or

(d) If the Grant Recipient defaults in the performance of any other provision or covenant in this Agreement, and such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given to the Grant Recipient.

5.2 Upon each and any such event, the Grantor may declare immediately due and payable the unpaid principal and accrued interest on any note or other indebtedness of the Grant Recipient held by the Grantor and thereupon such amount shall become immediately due and payable without protest, presentment, notice or other demand of any kind, all of which are hereby expressly waived by the Grant Recipient, and if such event occurs before the full amount of the Grant Proceeds has been disbursed or before any loan commitment of the Grantor to the Grant Recipient has been fulfilled, the Grantor may terminate or suspend such disbursements and commitments. The Grant Recipient shall pay all costs and expenses, including attorney fees incurred in the collection of amounts due hereunder after default.

SECTION 6. TRANSPORTATION

6.1 All Defense Items to be transported from the United States by ocean vessel shall be transported in vessels of United States registry unless a waiver is obtained from the DSAA or the Maritime Administration, US Department of Transportation ("MARAD"). The current DSAA and MARAD procedures for obtaining a waiver are, without being incorporated herein, attached hereto as Exhibit C. In each instance where a supplier will arrange ocean transportation for Defense Items being purchased, the Grant Recipient shall give written notice of this requirement to the supplier:

(a) for Purchase Agreements already entered into, within ten days of the date hereof, and

(b) for Purchase Agreements hereafter entered into, on the date the Purchase Agreement is consummated.

6.2 The Grant Recipient shall provide the following information to the Director, Office of Market Development (MARAD), with respect to any ocean or air shipments of Defense Items from the United States: (a) FMS Case Identifier, (b) FAS value of cargo, (c) supplier, (d) freight forwarder, (e) freight cost, (f) name of vessel or airline, (g) vessel/aircraft flag of registry, (h) date of loading, (i) port or place of loading, (j) port or place of final discharge, (k) cargo description, (l) gross weight of cargo, and (m) cubic measurement of cargo. This information shall be provided as soon as possible and in any event not later than 90 days from the date of shipment, and shall contain a reference to this Agreement.

6.3 Advances hereunder may be used to pay ocean or air freight costs for transportation of only those Defense Items financed by this grant and only if such items are carried on vessels or aircraft of United States registry.

SECTION 7. MISCELLANEOUS

7.1 No omission or delay on the part of the Grantor in exercising any right hereunder shall operate as a waiver of such right or any other right hereunder. The rights and remedies prescribed herein are cumulative and not in limitation of or substitution for other rights or remedies of the Grantor.

TABLE 902-3A. (Continued)

7.2 Any notice, demand or other communication hereunder shall be deemed to have been given if in writing and actually delivered at the addresses shown below:

(a) In the case of the Grant Recipient to:

(To be inserted at the time the Grant Agreement is issued.)

(b) In the case of MARAD to:

Director, Office of Market Development
Maritime Administration
US Department of Transportation
Washington, D.C. 20590-0001

(c) In the case of the Grantor to:

Director, Defense Security Assistance Agency
The Pentagon
Washington, D.C. 20301-2800

or to such other addresses as may be specified in writing.

7.3 Notwithstanding Section 1.2 hereof, the Grant Proceeds shall also be available to make payment of principal and interest owed to the United States Government under any loan made or guaranteed pursuant to the Arms Export Control Act except principal and interest not due at the time payment is to be made. Advances requested to be made for such purpose shall be made upon delivery to the DSAA of a letter request from the Grant Recipient not less than fifteen business days before the disbursement date.

7.4 (a) This Agreement shall be construed and interpreted in accordance with the laws of the United States of America, and if none is applicable, with those of the District of Columbia, United States of America.

(b) In the event of a dispute regarding a Purchase Agreement between the Grant Recipient and a Military Department or Defense Agency of DoD that is approved for grant financing under this or other Grant Agreements, the Grantor reserves the right to make an advance hereunder, notwithstanding Section 1.3 hereof, if the Grant Recipient fails to deliver to DSAA a letter request for disbursement in the form set forth in Annex II or fails to comply with the documentation requirements set forth as Exhibit B, within fifteen business days after the date the disbursement was to have been made.

(c) In the event of a dispute regarding a Purchase Agreement between the Grant Recipient and a Commercial Supplier that is approved for grant financing under this or other Grant Agreements, no advance hereunder can be made until the Grant Recipient complies with the provisions of Section 1.3 hereof, notwithstanding any dispute settlement provisions or procedures included in such a Purchase Agreement or dispute resolution.

TABLE 902-3A. (Continued)

7.5 This Agreement shall be binding upon and inure to the benefit of the Grant Recipient and the Grantor and their respective successors and assigns, except that the Grant Recipient may not assign its rights or obligations hereunder without the prior written consent of the DSAA. All agreements, covenants, representations and warranties made herein shall survive the making of the advances hereunder.

7.6 This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute a single instrument. Annexes I and II attached hereto are, by this reference, made a part of this Agreement.

7.7 All notices, demands, or other communications given under this Agreement, unless submitted in the English language, shall be accompanied by an English translation and such translation shall govern.

7.8 In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired. This Agreement or the Note may be amended only with the mutual written consent of the Grantor and the Grant Recipient.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and representatives on the day and year first above written.

GOVERNMENT OF _____

By _____

GOVERNMENT OF THE UNITED STATES OF AMERICA

By _____

TABLE 902-3A. (Continued)

ANNEX I

DESIGNATION OF AUTHORITY

1. The Grant Recipient shall provide to the DSAA a written communication that evidences the authority for incumbents of specifically named offices or specifically named individuals to sign the grant documents on its behalf. As a minimum the communication will contain the following:

Director
 Defense Security Assistance Agency
 The Pentagon
 Washington, D.C. 20301-2800

Dear Sir:

The following officials of the Government of _____ are duly authorized to execute and deliver documents as indicated below in connection with a grant agreement in the amount of _____ between the Government of the United States and this Government:

a. GRANT AGREEMENT:

[Person's Name(s) and/or Title(s) of Office(s)] _____

b. REQUESTS FOR DISBURSEMENT AND SUCH OTHER DOCUMENTS AS MAY BE REQUIRED UNDER THIS GRANT AGREEMENT:

[Person's Name(s) and/or Title(s) of Office(s)] _____

Very truly yours,

Date: _____ By _____
 (Name and Title Typed)

2. The designation of authority letter shall be signed by an appropriate person empowered under the laws of the Grant Recipient to delegate to selected officials authority to sign documents as stated in the name of its Government. The Grant Recipient shall submit a designation of authority letter to DSAA containing the names and signatures of newly designated officials whenever changes occur.

TABLE 902-3A. (Continued)

ANNEX II

FORM OF LETTER REQUEST FOR ADVANCE OF FUNDS

Director
Defense Security Assistance Agency
Pentagon
Washington, D.C. 20301-2800

Dear Sir:

In accordance with the provisions of Section 1.3 of our Grant Agreement with the Government of the United States of America dated (date) , the Government of hereby requests the DSAA approval and disbursement of an advance of (amount) from that grant.

The Government of acknowledges that advances hereunder may be used to pay ocean and air freight costs only for transportation of Defense Items being carried on vessels or aircraft of United States registry, and that all materiel financed from this grant which is to be shipped by ocean surface transportation must be transported in privately owned vessels of United States registry unless a waiver is obtained in accordance with Section 6 of the Grant Agreement. In furtherance of this requirement, the suppliers of the materiel being financed with this advance were so notified and given appropriate shipping instructions.

In connection with this request, the Government of confirms that, as appropriate: the defense articles and services for which payment is requested have been satisfactorily delivered; or the advance payment requested is in accordance with requirements of the contract; or the progress payment requested is based on the contractor's satisfactory progress and is in accordance with requirements of the contract; and that payment is therefore due and unpaid under the Purchase Agreement (Case Identifier) with the (Supplier) .

Sincerely,

GOVERNMENT OF

By
(Name and Title)

TABLE 902-3A. (Continued)

EXHIBIT A

PROCEDURES FOR OBTAINING DSAA APPROVAL
FOR
GRANT FINANCING OF PURCHASE AGREEMENTS

1. General

The Defense Security Assistance Agency (DSAA) is responsible for approving grant financing of all Purchase Agreements that the Grant Recipient wishes to finance with proceeds from the grant issued by the DSAA under the provisions of the Arms Export Control Act. The use of grant proceeds shall be approved for the financing of purchases by the Grant Recipient only of defense articles, defense services, and design and construction services of US origin. In reviewing requests for financing of Purchase Agreements, DSAA is guided by objectives established by the US Government for improvement of the Grant Recipient's defense capabilities, by generally accepted financing practices, and by United States laws, regulations and policies in effect at the time the financing is requested. The US Government reserves the right to refuse to finance any purchase agreement and is not required to explain its reason(s) for such refusal.

2. Purchases from US Military Departments

a. The US Military Departments effect Foreign Military Sales ("FMS") by means of the Letter of Offer and Acceptance ("LOA"), Department of Defense Form 1513. Each LOA, also referred to as an FMS case, is identified by a three digit alphabetic code referred to as "case identifier." If a Grant Recipient desires to fund an FMS case from this grant, it must so inform the Military Department prior to the issuance of the LOA. In turn, the Military Department will reflect the desired grant financing on the LOA and submit it to the DSAA Comptroller for approval and countersignature.

b. When the Grant Recipient wishes to use grant funds to pay amounts due under an FMS case which has already been established as a "cash" or "dependable undertaking" case, the Grant Recipient must ask the pertinent Military Department to convert all or part of that case from cash to grant funding. The Military Department must also submit the amended case to the DSAA Comptroller for review and approval to support the requested change in funding.

c. For each case it approves for financing from the grant, the DSAA Comptroller will reserve funds from the uncommitted grant balance in an amount equal to the entire estimated cost of the FMS case requested for grant funding. The portion of the grant so reserved will then be available only for such payments. Payments, either for deliveries of materiel or progress payments, from advances requested by the Grant Recipient, will be made by the DSAA Comptroller against the amount reserved for that purpose.

TABLE 902-3A. (Continued)

3. Purchases from Commercial Firms.

a. Grant funds under the Arms Export Control Act may be used to finance purchases from US Commercial Suppliers, provided such financing has been approved by the DSAA. In order that the DSAA may advise a Grant Recipient whether it will approve such financing, the Grant Recipient must provide a copy of the contract or proforma purchase order to the DSAA Comptroller for its review, preferably before the Grant Recipient obligates itself to a purchase which it desires to be financed with grant funds. Before the DSAA can give its final approval of grant financing, the commercial supplier must submit to DSAA the "Contractor's Certification and Agreement with Defense Security Assistance Agency" as illustrated in Exhibit B which is subject to change by the DSAA any time hereafter. The Grant Recipient should allow at least 90 days for DSAA's review of the contract for approval of grant financing. Each grant financing approval shall be separately communicated by DSAA in writing to the Grant Recipient by use of the "Grant Financing Approval" illustrated as an attachment to this exhibit.

b. Grant financing shall be approved and made available only to finance the purchase of defense articles and services authorized for such financing by the DSAA in accordance with policies and procedures in effect at the time such financing is approved. Current DSAA policies pertinent to approval of grant financing for purchase agreements are included in the Security Assistance Management Manual.

c. In addition to the approval mentioned above, the DSAA, at the time it approves requests for advances (disbursements) of funds pursuant to Annex II, also will require from the Grant Recipient invoices properly executed by the commercial supplier, and bills-of-lading and statements, as may be applicable, substantially in the formats described in paragraph 4 of Exhibit B (DSAA Requirements for Documentation to Support Requests for Advances).

d. For each commercial purchase agreement for which financing is approved, the DSAA Comptroller will assign a case identifier and will provide to the Grant Recipient a Grant Financing Approval letter in the form of the Attachment to this Exhibit. This letter will provide the case identifier assigned to the case. For each case it approves for grant financing, the DSAA Comptroller will reserve grant funds in the amount requested. The grant funds so reserved will then be available only for payments on that case, unless the Grant Recipient directs otherwise. Payments for deliveries, progress, or advance payments, will be processed by the DSAA Comptroller against the amount reserved for the approved purchase agreement.

e. The DSAA Comptroller will also provide letters to the commercial firm informing it of conditions of grant financing and certifications required as prerequisites to the DSAA approving grant financing for the purchase agreement, and indicating the DSAA approval of financing of the purchase agreement.

ATTACHMENT TO
EXHIBIT A

GRANT FINANCING APPROVAL

Dear Sir:

Pursuant to the provisions of Section 1.2 of the Grant Agreement between your Government and the US Government, and in response to your request for grant financing of a purchase directly from a commercial firm, financing for the following purchase agreement is hereby approved:

Supplier:

Contract or Proforma Invoice number and date:

Case Identifier
Assigned to
This PurchaseFunds Previously
Reserved for
This PurchaseFunding
RevisionFunds Reserved
for
This Purchase

Sincerely,

TABLE 902-3A. (Continued)

EXHIBIT B

**DSAA REQUIREMENTS FOR DOCUMENTATION
TO SUPPORT REQUESTS FOR ADVANCES**

1. This Exhibit describes the documents which the Grant Recipient must furnish to the DSAA Comptroller in support of requests for advances.
2. Whenever the Grant Recipient desires a disbursement of grant funds, its authorized representative(s), as designated pursuant to provisions of the Grant Agreement, shall forward the written request, prepared in accordance with Annex II of the Agreement, to the DSAA Comptroller, The Pentagon, Washington, D.C. 20301-2800, not less than 15 business days before the desired disbursement date.
3. With each request for an advance, the Grant Recipient will provide a letter addressed to the Director, Defense Security Assistance Agency, substantially in the format as follows:

Dear Sir:

In accordance with the provisions of Section 1.3 of our Grant Agreement with the Government of the United States of America dated (date) , the Government of hereby requests the DSAA approval and disbursement of an advance of (amount) from that grant.

The Government of acknowledges that advances hereunder may be used to pay ocean and air freight costs only for transportation of Defense Items being carried on vessels or aircraft of United States registry, and that all materiel financed from this grant which is to be shipped by ocean surface transportation must be transported in privately owned vessels of United States registry unless a waiver is obtained in accordance with Section 6 of the Grant Agreement. In furtherance of this requirement, the suppliers of the materiel being financed with this advance were so notified and given appropriate shipping instructions.

In connection with this request, the Government of confirms that, as appropriate: the defense articles and services for which payment is requested have been satisfactorily delivered; or the advance payment requested is in accordance with requirements of the contract; or the progress payment requested is based on the contractor's satisfactory progress and in accordance with requirements of the contract; and that payment is therefore due and unpaid under the Purchase Agreement (Case Identifier) with the (Supplier) .

Sincerely,

GOVERNMENT OF

By
(Name and Title)

TABLE 902-3A. (Continued)

4. Whenever funds from this grant are to be used to pay a Commercial Supplier, the Grant Recipient shall also provide invoices and bills-of-lading in support of each request for an advance, as follows:

a. As a minimum, the invoice must: (1) reflect the amount due and payment due date; (2) specify whether the amount billed is a down payment, progress/milestone payment, or delivery payment; (3) list the items and services delivered for which payment is requested; (4) indicate by a separate entry the transportation costs, if not included in the item price; (5) designate the FOB point and "ship to" address; (6) designate the address to where the payment should be sent; (7) if the billed amount consists of "cost, insurance and freight" (CIF) terms for delivery of materiel to a destination point outside the United States, provide the name of the carrier(s) of the materiel from the US Port of Embarkation; and (8) be supported by a copy of freight bills, air waybills, or rated on-board bills-of-lading, fully accounting for the cost of inland and export transportation of the items covered by the invoice for which payment is requested. If the Contractor pays for the transportation, whether the transportation cost is included in the price of the item or billed separately to the Purchaser, bills-of-lading or air waybills must be submitted with the invoice for which payment is requested. A copy of the invoice for the cost of any insurance coverage on the shipment must also be submitted along with the shipping documents.

b. If the Purchaser is paying the export transportation cost with other than US Government funds (i.e., the Contractor is not paying for the export transportation cost) the Contractor will submit a certification with the invoice as follows:

The (Contractor) acknowledges US ledges US Government funds are being used by the Government of _____ to finance this purchase and certifies that no shipping cost has been incurred by this firm for exporting this materiel from the United States and no shipping cost is included in the sales price or otherwise included in the invoice amount for which payment is requested.

c. All Contractor's invoices must be submitted with the following certification:

The (Contractor) acknowledges US ledges US Government funds are being used by the Government of _____ to finance this purchase and certifies that the invoice(s) submitted with respect thereto are free from any material false statement or misrepresentation and do not omit any material facts.

d. If the Grant Recipient is paying the export transportation cost with other than funds granted under the Arms Export Control Act or FMS loan funds, and therefore the Commercial Supplier is not paying for the export transportation cost, the supplier will be required to submit a certification with the invoice as follows:

The (Commercial Supplier) acknowledges that US Government funds are being used by the Government of _____ to finance this purchase, and certifies that no shipping cost has been incurred by this firm for exporting this materiel from the United States, and therefore no cost is included in the sales price or otherwise included in the invoiced amount for which payment is requested.

(Signed)
(Commercial Supplier)

TABLE 902-3A. (Continued)

e. Before the DSAA authorizes the use of grant funds to finance any purchase from a Commercial Supplier, the Grant Recipient must ensure that the Commercial Supplier completes and submits to the DSAA the "Contractor's Certification and Agreement with Defense Security Assistance Agency" as illustrated in Table 902-7.

5. Whenever funds from this grant are to be used to pay an amount owed on an FMS case, the Grant Recipient shall also provide a listing of the FMS cases for which payment is requested and the amounts applicable to each.

TABLE 902-3A. (Continued)

TABLE 902-4

DSAA SAMPLE LETTER TO PURCHASING COUNTRY APPROVING USE
OF
FMS LOAN FINANCING FOR DIRECT COMMERCIAL PURCHASESIn reply refer to:
I- _____

Dear Sir:

Pursuant to the provisions of Section 1.3 of the Loan Agreement between your Government and the US Government, and in response to your recent request for loan financing of a purchase directly from a commercial firm, financing for the following purchase agreement is hereby approved:

Supplier: _____

Contract or Proforma Invoice number and date: _____

Items to be purchased: _____

Case Identifier Assigned to <u>This Purchase</u>	Funds Previously Reserved For <u>This Purchase</u>	Funding Revision	Funds Reserved for <u>This Purchase</u>
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Sincerely,

Chief, Accounting and Finance Division
Office of the Comptroller

TABLE 902-4. DSAA Sample Letter Approving Use of FMS Loan Financing.

TABLE 902-5

DSAA SAMPLE LETTER TO SUPPLIER APPROVING USE OF FMS LOAN FINANCING
FOR DIRECT COMMERCIAL PURCHASES

In reply refer to:

I-

x
x
x
x
x

Dear Sir:

The Defense Security Assistance Agency (DSAA) has approved financing in the amount, and for the purchase agreement noted below. Funds will be disbursed to your firm from financing available to the Government of _____ (Purchaser) through the Foreign Military Sales Financing (FMSF) program. The Case Identifier assigned to this Purchase Agreement and the Supplier Code assigned to your firm are also noted below and should be referenced on any questions that you may have regarding this financing. This approval does not constitute an approval for export; your firm is responsible for obtaining export licenses, as required:

Contract Number:

Date:

Supplier Code:

Case Identifier:

- S -

Financing Approved:

Purchase of:

The amount of financing approved will be available to the Purchaser for payment of this Purchase Agreement unless the Purchaser defaults on any of the provisions of the agreements entered into by the Purchaser with the US Government for such financing. Additionally, although we have set aside FMSF funds in the amount shown above for this purchase, this reservation is for program administration purposes only and should not be construed as a firm and irrevocable commitment to pay. The Purchaser is not obligated to use US Government FMSF funds in payment of this purchase; therefore, the Purchaser could request a reduction of the amount reserved for your Purchase Agreement. In such event, however, we would endeavor to advise you of the Purchaser's request prior to effecting the reduction.

Although the US Government is not a party to the Purchase Agreement, the DSAA is required to ensure that the Purchaser utilizes loan funds only for the purposes intended by law, and for which the financing is approved. This financing is available only for articles and services (including insurance) of US origin, except where non-US articles and services are specifically authorized by the DSAA. Suppliers may be reimbursed shipping costs, but only when shipments are made on US flag carriers. Waivers granted to the Purchaser by the DSAA to ship materiel via its own carriers does not authorize reimbursement to your firm of costs for shipping by a non-US flag carrier. In such instances, the Purchaser is responsible to pay for non-US flag carrier freight charges or to reimburse you directly for such charges. Shipping charges for shipments via non-US carriers will be deducted from Suppliers invoices.

TABLE 902-5. DSAA Sample Letter to Supplier Approving Use of FMS Loan
Financing for Direct Commercial Purchases. (Continued)

To prevent unnecessary delays in the processing of payments to you, your firm must ensure that invoices contain the information specified in the Contractor's Certification and Agreement, show the Case Identifier noted above, and include signed, "rated," "on-board" bills of lading or air waybills. FURTHER, IT SHOULD BE UNDERSTOOD THAT, AFTER RECEIPT OF PROPERLY DOCUMENTED INVOICE(S) IN DSAA, A PERIOD OF APPROXIMATELY THREE (3) WEEKS WILL BE REQUIRED TO PROCESS THE PAYMENT BY WIRE TRANSFER AND LONGER IF PAYMENT IS BY CHECK.

Payments will be made directly to your firm by wire transfer, but only if the amount is \$25,000.00 or more. Therefore, it is imperative that you provide to us your wire transfer address and your check mailing address for payments of less than \$25,000.00. As quickly as possible, please send us these addresses on a letter signed by an official of your firm. The wire transfer address must include your bank's name, street address, zip code, and the bank's American Banking Association (ABA) routing number, and the name and number of your account. We will send payments under this purchase agreement only to those addresses officially provided to us, including official notifications of changes. NO PAYMENTS WILL BE PROCESSED TO YOU UNTIL WE HAVE RECEIVED YOUR OFFICIAL ADDRESSES RELATIVE TO THIS PURCHASE AGREEMENT.

If your contract provides for a downpayment, the downpayment amount must be limited as follows, and you are required to include the following certification on your downpayment invoice:

(Name of your firm) certifies that the downpayment requested does not exceed cost incurred at time of submission of this invoice plus termination liability to be incurred during the first 90 days, less profit.

The DSAA does not require that bank instruments such as Performance Bonds or Letters of Credit be obtained relative to the purchase agreement. However, if such bank instruments are obtained pursuant to your contract provisions, such instruments must be issued and payable by US banking institutions operating within the United States, and copies of such instruments must be submitted to the DSAA for review as prerequisite to disbursements by the DSAA. These instruments must be received and deemed satisfactory by the DSAA, relative to payee provisions, prior to the processing of any disbursements to your firm under this Purchase Agreement.

All contractor's invoices must also contain the following certification:

The (Contractor) acknowledges that US Government funds are being used by the Government of _____ to finance this purchase and certifies that the invoice(s) submitted with respect thereto are free from any material false statement or misrepresentation and do not omit any material facts.

Full and final billing on the contract must not be presented to the DSAA for payment prior to full and final completion of contract deliveries and performance.

Should refunds to the Purchaser become necessary for any reason, from funds paid by the DSAA under this Purchase Agreement, such refunds must be made directly to the DSAA rather than to the Purchaser. The DSAA will credit such refunds to the Purchaser's Foreign Military Sales (FMS) Trust Fund Account. Refunds may be made either by check or by wire transfer. Checks should be made payable to the US Treasury, be accompanied by a letter identifying the Purchaser, and the DSAA's case identifier, and should be mailed to the following address. Correspondence relating to financial matters should also be mailed to this address.

Defense Security Assistance Agency
Architect Building, Suite 535
1400 Wilson Boulevard
Arlington VA 22209-2325

TABLE 902-5. DSAA Sample Letter to Supplier Approving Use of FMS Loan
Financing for Direct Commercial Purchases. (Continued)

Refunds by wire transfer should be addressed as follows:

United States Treasury
New York, New York
0210-3000-4
Treasury NYC/(5037)
Defense Security Assistance Agency
Refund from: (Company Name) for purchase made by the
Government of under DSAA Case (Identifier).

Should you have any questions regarding any of the above information, please telephone us at (202) 694-3112

Sincerely,

Chief, Accounting and Finance Division
Office of the Comptroller

Copy to:
Maritime Administration
Room 7209
400 7th Street, S.W.
Washington, D.C. 20590-0001

Embassy of
(Address)
Washington, D.C. 200

TABLE 902-5. DSAA Sample Letter to Supplier Approving Use of FMS Loan
Financing for Direct Commercial Purchases. (Continued)

January 1995

GUIDELINES FOR FOREIGN MILITARY FINANCING OF DIRECT COMMERCIAL CONTRACTS

In 1984 the U.S. Department of Defense (DoD) established guidelines for the processing and review of commercial contracts for direct purchase from U.S. firms of U.S. defense articles and services to be financed with funds appropriated by the Congress. These guidelines have been revised as necessary and this guideline revision supersedes the guidelines dated 22 July 1991.

The financing of direct commercial contracts is under continual review including scrutiny by the General Accounting Office, the DoD Inspector General, the Department of Justice, and the Congress. Accordingly, this revision of the guidelines reflects DoD's effort to minimize vulnerability to waste, fraud, and abuse.

Currently, there are specific policies and procedures in the Federal Acquisition Regulation (FAR) and the Security Assistance Management Manual (SAMM), DoD 5105.38-M, which apply to government-to-government Foreign Military Sales (FMS) cases. The following guidelines establish similar policies and procedures for the use of foreign military financing of direct commercial contracts between U.S. industry and foreign countries.

Foreign military financing (FMF) may be used, when approved on a case-by-case basis by the Defense Security Assistance Agency (DSAA), for the purchase of defense articles, defense services, and design and construction services from U.S. defense contractors on a direct commercial basis. However, as indicated in the financing agreement to which the U.S. Government and the foreign governments are parties, the U.S. Government is under no obligation to approve any specific commercial contract for FMF.

The following guidelines serve as the basis for DSAA review of the purchasers request for approval to use FMF to fund direct commercial contracts (NOTE: Guideline changes are indicated by bold face type):

1. Direct commercial contracts (DCCs) normally will not be permitted for items that are standard to DoD, e.g., items that have national stock numbers. However, the purchasing country may request exceptions from DSAA for the commercial procurement of standard DoD items. When doing so, the purchasing country must provide written justification to DSAA supporting its request. The justification should include the item description, required delivery date, and any other information which may be pertinent to the exception decision. In those instances where additional information regarding availability, performance, characteristics, releasability, etc. are required, DSAA will consult with the appropriate U.S. military department (MilDep).

A. Purchaser representatives should allow approximately 60 days for DSAA to process an exception request and provide a decision in writing on the exception.

B. If DSAA has approved use of the direct commercial contracting channel to meet the requirement, the purchaser may then submit a contract to DSAA for consideration of FMF. When the contract is submitted for review, the purchaser must attach the exception letter issued by DSAA.

2. Direct commercial contracts will be permitted for procurement of non-standard items, e.g., items that do not have a national stock number. The purchasing country must demonstrate that the items are non-standard by providing cataloging data or information received from the MilDeps.

3. The use of FMF for DCCs will be permitted for the development and procurement of major country-unique systems. The purchaser should consult with DSAA and receive approval prior to proceeding with contract negotiations on major unique systems. Written justification supporting the purchaser's request to use the DCC channel should be provided to DSAA as far in advance as possible, but not less than 60 days before solicitation of offers or initiation of contract negotiations. This will allow sufficient time to evaluate the proposed acquisition and, if necessary, consult with the appropriate U.S. MilDep. If justification is not provided to the DSAA prior to submission of a contract, it may result in a delay in the processing of the request for funding approval or in the return of the contract without review.

4. Purchases must be from U.S. incorporated firms licensed to do business in the United States.

5. The goods and services purchased must be manufactured and assembled in the United States, purchased from U. S. firms, and composed of U.S.-origin components and services. An exception for FMF may be considered for those items originally manufactured in the U.S. and purchased by a U.S. contractor from foreign sources. In the event that the purchase of a U.S. end item consists of both U.S. and non-U.S. components and services, only the value of the U.S. components and services will normally be financed.

A. Non-U.S. content which is an integral part of end items manufactured in the United States may be eligible for FMF under certain limited circumstances. Such financing will be considered when the DoD has procured or is procuring the item from the same source.

B. Contracts should specify any non-U.S.-origin content, e.g., items, components or services. If not identified in the contract, non-U.S. content must be identified to DSAA by the purchaser in supporting documents. To facilitate this, the contractor is required to identify to the purchaser any non-U.S. content, the corresponding value contained in the contract, and where applicable, supporting documentation to demonstrate that DoD has procured or is procuring the non-U.S. origin items, components, or services from the same non-U.S. source. Supporting documentation should include the DoD contract number(s) under which the non-U.S. content was purchased, if appropriate, and any other pertinent information. Assembly is required to be performed in the United States.

C. Any license fee to be paid by the contractor to a non-U.S. entity should be identified as non-U.S. content.

D. Expenses incurred by foreign subsidiaries of U.S. companies are not considered to be U.S.-content. Reasonable expenses for support of U.S. contractor personnel in-country are considered U.S. content and may be FMF-funded.

TABLE 902-6. (Continued)

6. Contracts for less than \$100,000 will not normally be approved for FMF. All amendments to commercial contracts funded with FMF must be submitted to DSAA for review and approval. The amendments should be submitted in chronological order and numbered accordingly. The total value of each contract, purchase order, or amendment must be for \$100,000 or more. Contracts, purchase orders, or amendments for less than \$100,000 will not be approved for FMF. (Note: No-cost amendments which do not change contract scope must be reviewed and approved in the same manner).

A. Any contract change which adds or deletes previously contracted items must be accomplished through contract amendment, e.g., substituting items for items being deleted, adding new items to the contract or deleting items from the contract. If the contractor has previously received payment for the items deleted and not replaced, the contractor will be required to refund the amount of these payments and reduce the contract price accordingly.

B. Amendments requiring additional FMF will not normally be approved later than five years from the date DSAA approved financing of the basic contract. A request for exception may be considered if sufficient justification is provided to DSAA by the purchaser.

7. Requesting FMF funding for purchases containing offset provisions as a condition for securing the purchase is not encouraged. Offset provisions are agreements by the seller to make investments or procurements in a country other than the United States, either concurrent with or subsequent to the purchase for which financing is being requested.

A. FMF grants may not be used to pay for offsets, to include direct offsets or the related costs of offset administration. A direct offset is the procurement of a non-U.S. made component required by the purchasing country, for incorporation or installation in a U.S.-produced end item being sold.

B. FMF credits may not be used to pay for offsets, to include direct offsets. If the contract is wholly financed with repayable FMF credit or with repayable FMF credit and foreign purchaser funds, the offset administration costs may be included in a direct commercial contract. The purchasing country must be informed of the inclusion of the offset administration costs during contract negotiations.

8. Commissions or contingent fees will not be FMF funded. Additionally, such commissions or fees will be treated as an unallowable cost under the contract. Therefore, no element of commissions or contingent fees may be included in the contract funded by the United States Government. When commissions or contingent fees related to the sale will be paid with other than FMF funding, the contractor will so advise DSAA at the time the contract is presented for funding approval. The contractor shall maintain an available system of accounts sufficient to demonstrate that no element of commission or contingent fee is contained in the contract funded by the United States Government.

9. Purchase agreements should be made directly with the prime manufacturer of the defense article or service if possible, and the contractor is expected to add value to the product being sold.

TABLE 902-6. (Continued)

A. If the items or services are available from production in the United States, purchases of materiel should be made to the maximum extent feasible from the prime manufacturer of assemblies or items, the assembler or a U.S.-based distributor licensed by the manufacturer who has had a long standing relationship with the manufacturer and who has been provided with general domestic and/or international sales regions.

B. A prime contractor must demonstrate to the DSAA (by means of a DoD preaward survey or other means) its capability--including, e.g., expertise, experience, plant, and financial soundness--to perform by itself a substantial portion of the work. Prior successful completion of recent direct commercial contracts financed with FMF funds or DoD contracts for the same or essentially similar items shall normally satisfy this requirement.

C. Funding with FMF will not be considered for a procurement agent, broker, import-export firm or other intermediary unless justified by factors relating to specific country needs and the country's abilities to conduct commercial contracting. A request for exception will be considered if sufficient justification is provided by the purchasing government as to why the purchase is sought from a firm other than the manufacturer.

D. A list of suppliers and subcontractors for the proposed contract, showing names, addresses, and the materiel and services to be procured by the intermediary (i.e. prime contractor) must be provided as part of the purchasing government's justification. Such intermediaries are required to identify names and addresses of all projected suppliers and subcontractors applicable to this contract. In such a case it is assumed that the purchasing government will be aware of the extent of additional cost or markup by the intermediary and that such data can be provided upon request.

10. U.S. firms which are selling or have sold the same items to DoD are generally recognized as having adequate production capabilities and having previously performed on their contracts in a satisfactory manner. It is recognized that many small businesses or firms that have not previously sold to the DoD may be the best qualified to provide articles or services unique to country needs. To verify the contractors' statements and determine their capability to perform under the contract terms, a DoD preaward survey may be required as a condition of FMF approval. Such preaward surveys normally are not required for firms with previous DoD contracting experience.

11. Contractors and country representatives should plan for the time required by DoD to perform the processing necessary to determine the extent of FMF authorization. The processing time for contracts that are fully in compliance with these guidelines is approximately 60 days. **The purchasing country is responsible for providing the contractor with a copy of DSAA Guidelines together with the Contractor's Certification. If the contract is submitted without the required certification, the contract will be returned to the purchaser for inclusion of such data.** When the prospective purchase is from a contractor that does not regularly sell to the U.S. Government, the purchaser should set a commencement date for the contract that allows at least an additional 30 days for U.S. Government representatives to conduct a survey of the contractor. Such a review and preaward survey may be required in certain circumstances by DSAA as a condition for FMF of the contract.

12. FMF will not be approved for financing of direct commercial letters of credit which assure payment to the supplier upon presentation by the supplier of invoices and/or delivery documents. If the contract requires performance bonds or other forms of letters of guarantee from the supplier, the use of a bank or financial institution chartered or incorporated in and doing business in the United States is required for this purpose.

TABLE 902-6. (Continued)

13. The use of FMF will be approved for the financing of transportation performed by U.S. carriers only.

A. For ocean transportation of FMF shipments, the contractor and the purchaser will use, or cause to be used, privately owned U.S. flag commercial vessels. For contractor-originated ocean shipments, the contractor will, within 20 days of loading, submit one legible copy of the rated on-board ocean bill of lading for each shipment to: Chief, Division of National Cargo, Office of Market Development, Maritime Administration, U.S. Department of Transportation, 400-7th Street, S.W., Washington, DC 20590. The bill of lading will identify: contract number; name of vessel; flag of registry; date and port of loading; port of final discharge; description, weight, and value of cargo; and total ocean freight revenue. Any waivers (general, security, or non-availability) will be in accordance with the country's agreement with DSAA. The waivers are described in the agreements and may apply to either specific shipments or for a specific period of financing. Contractors will include these requirements in subcontracts or purchase orders applicable to this contract.

B. No payments will be made to freight forwarders with FMF unless, prior to July 1, 1994, DSAA had authorized the purchasing country to use FMF-funded DCCs to procure freight forwarding services. Rated, on-board bills of lading or rated airway bills may be approved for direct payments to U.S. ocean or air carriers upon request.

14. FMF will not be approved for payments for travel, per diem, accommodations, lodging, car rental, personal expenses, **entertainment** or other similar expenses of purchasing country personnel in connection with a direct commercial purchase. Therefore, while these types of costs may be cited in contracts submitted, they must be paid by the purchaser with national funds. If such costs are included, either directly or indirectly, they must be expressly identified.

15. Any purchase agreement that provides for a refund, penalty, liquidated damages, bonding provisions, or any other form of financial reimbursement to the purchasing country must be structured to ensure that such payment is made by the contractor or designated agent (including the contractor's commercial bank) directly and without undue delay, from the payor to the U.S. Government. **Should the purchaser exercise a drawdown on a U.S. private letter of credit, it must ensure that the funds are transferred directly from the payor to the U.S. Treasury.**

A. Bonding and guarantee documents, such as Performance Bonds, Letters of Guarantee, Letters of Credit, and any other such instrument that is established by the contractor or his agent pursuant to the Purchase Agreement, must be received at the Defense Finance and Accounting Service (DFAS) Denver and made part of the Purchase Agreement file as a prerequisite to disbursement of FMF funds to the contractor. Bonding and guarantee documents lacking adequate provisions to ensure prompt payment to the U.S. Government will not be accepted but will be returned for revision, and the pertinent Purchase Agreement will be held in abeyance until this requirement is satisfied.

B. Reimbursement payments must be remitted to the addresses noted below. These payments, when received by the DFAS Denver, will be credited to the purchasing country's FMS trust fund account and become available for application by the country to any FMS or commercial case approved for FMF. Any financial reimbursement relating to the Purchase Agreement which is equal to or less than the FMF funds paid by the DSAA on the Purchase Agreement will become available for application by the country to any FMS or commercial case approved for FMF. In the event that the amount of reimbursement exceeds the amount of FMF funds paid by the DSAA on

TABLE 902-6. (Continued)

that Purchase Agreement, the excess amount of that reimbursement will be credited to the country's FMS trust fund account and become available to the country for application as "cash" to FMS cases.

C. Remittances should be processed as follows:

Payments by check must be accompanied by a letter which identifies the purchasing country and the DSAA case identifier. The check must be made payable to the "United States Treasury" and mailed to:

Defense Finance and Accounting Service (DFAS)
DE-FCC
Denver, CO 80279-5000

Payments by wire transfer should be transferred as follows:

United States Treasury
New York, New York
0210-3000-004
DFAS/SAAC
Agency Code 3801

Refund from: (Name of Company)
for purchase made by the Government of
(Country) under DSAA case (Identifier)

16. Contracts should include all essential contract elements. Complete copies of all provisions of contracts are required for DoD review for FMF funding. The purchaser must also submit to DSAA for review all subsequent modifications, amendments, or side letters/ supplementary agreements which affect the contractual relationship between the buyer and the seller on FMF contracts.

17. DSAA requires that contractors doing business with the purchaser execute certain notices and certifications as part of both the proposal and the contracting processes. The execution of these documents is a prerequisite for receipt of DSAA approval to use FMF funds to finance purchaser contracts. The CONTRACTOR'S CERTIFICATION AND AGREEMENT WITH DEFENSE SECURITY ASSISTANCE AGENCY is required to be signed by the contractor and submitted by the purchaser to the DSAA when the contract is provided for funding review. The date of the current agreement form is January 1995.

18. All FMF-funded DCCs are subject to audit by the Defense Contract Audit Agency (DCAA). DCAA will perform audits, at the U.S. Government expense, to ensure contractor's compliance with the contractor's certification. DCAA audits may be performed at any time up to three years following receipt by the contractor of the final payment on the contract.

19. The Defense Contract Management Command (DCMC) can perform quality assurance services if desired by the contractual parties or if directed by DSAA.

TABLE 902-6. (Continued)

A. The cost of DCMC quality assurance services may be included in the contract and paid to the DFAS by the contractor on behalf of the purchaser; however, the purchasing country is required to arrange for these services through an FMS agreement with the DCMC.

B. For some contracts or purchase orders, the DSAA may require that a DCMC quality assurance verification be performed before delivery of the materiel to assure that the quality of the materiel is in accordance with contract terms, or for DoD standard items, U.S. Military specifications. In the event that the DSAA determines that such quality assurance is required, the purchaser will be notified when the contract is reviewed that DoD quality assurance services from the Defense Logistics Agency (DLA), through the DCMC International Logistics Office (ILO) in New York, are required as a condition for FMF of the contract.

20. It is highly recommended that several U.S. manufacturers be contacted by the purchaser for solicitation of offers to meet their specific needs. All contracts awarded on a competitive basis will require the purchaser to identify, in writing, the various contractors solicited and the prices submitted. If the lowest offeror was not selected, the purchaser must provide justification explaining the basis for the contract award. If this information is not provided, the contract will be returned to the purchaser for inclusion of such data.

21. Field pricing support is required prior to contract award for all sole-source procurements of \$500,000 or more. DCMC, with DCAA assistance as required, will provide field pricing support, at the purchaser's expense, as a condition for FMF funding of the contract. The purchaser must provide a copy of the offer to DCMC for its use in providing this support.

A. The DCMC-ILO, with DCAA assistance as required, will perform price and cost analyses and technical evaluations to determine price reasonableness of offers submitted. The purchaser should allow at least 45 days for the U.S. Government representative to perform these analyses. The DCMC-ILO will provide a copy of the price and cost analysis reports to the purchaser.

B. The purchasing country must include a copy of the price and cost analysis as part of the justification submitted to DSAA in support of its request to use FMF to fund a contract.

C. The purchasing country will be required to pay for this service under an FMS Letter of Offer and Acceptance (LOA) negotiated with DLA.

D. On all amendments of \$500,000 or more for contracts previously approved for FMF funding the purchaser will consult with DSAA to determine if a price and cost analysis review will be required.

E. The purchaser is required to incorporate the contract clauses in Enclosure 3 into its requests for proposal on FMF-funded DCCs.

22. On all contracts of \$500,000 or more (sole source or competitive awards) the purchasing country is required to contract with DCMC for contract administration services using a DLA FMS case. At a minimum, DCMC will monitor the contractor's performance to ensure compliance with the DSAA Contractor's Certification throughout the life of the contract. The purchaser is

TABLE 902-6. (Continued)

required to incorporate the contract clauses at Enclosure 3 into its FMF-funded DCCs of \$500,000 or more.

23. The contracts or purchase orders must clearly identify the amount of any contract financing payments and be in accordance with the following limitations:

A. The purchasing country is responsible for demonstrating the reasonableness and safety of contract financing arrangements.

B. Advance payments for FMF-funded DCCs may include a total amount of not more than 15 percent of the contract price, in advance of any performance under the contract. The purchasing country shall obtain adequate security for such payments in accordance with paragraph F below.

C. Contract financing arrangements may provide for payments to be made on the basis of accomplishment of specific milestones detailed in the contract, or other basis such as installments. Installments shall be payable no more frequently than quarterly.

D. Cumulative contract financing shall not exceed 85 percent of the contract price of undelivered items. See F below for security requirements.

E. Full contract payment shall not be made until after full performance of the contract.

F. All unliquidated advance and interim financing payments shall be secured by guarantee documents, such as Letters of Guarantee, Letters of Credit, or Performance Bonds from a U.S. bank or financial institution chartered in and doing business in the United States. Copies of guarantee documents must be submitted with the contracts or purchase orders when submitted for funding approval. The security shall be at least equal to the amount of the unliquidated contract financing. Guarantee documents lacking adequate provisions to ensure prompt payment to the U.S. Government will not be accepted but will be returned for revision, and the pertinent Purchase Agreement will not be approved until this requirement is satisfied.

G. Purchasing countries may not assess charges to United States contractors for processing contracts or invoices for payment. FMF will be withdrawn if such charges are determined to have been assessed or if the purchasing country representatives have solicited U.S. contractors to provide free materiel, services, advertising, or other similar forms of benefits as a condition of award of a contract or processing of invoices.

H. After validation of invoices, the purchasing country should submit them within 60 days of receipt from the contractor to DFAS Denver for payment.

24. If the contractor otherwise contracts with DoD, the contractor must comply with approved cost accounting standards. FMF may be disallowed for contracts which result in additional costs being transferred to the DoD. The DCAA has expressed concerns about the formation by U.S. prime contractors of separate corporate segments to conduct foreign sales. In some cases, when significant intracompany contracting is involved, the resulting allocations of costs are inconsistent with cost accounting standards and result unjustifiably in the allocation of

TABLE 902-6. (Continued)

additional costs to DoD contracts. If DoD prime contractors establish separate companies or other corporate segments for the purpose of conducting foreign sales and request FMF for sales by such segments, DSAA will request DCAA review of the transaction. FMF will be approved only upon confirmation by the DCAA that the arrangement is consistent with cost accounting standards and that there would be no unjustifiable additional cost on DoD contracts with the prime contractor.

25. DSAA is not staffed in a manner which would enable it to conduct independent debarment or suspension proceedings. Therefore, with respect to approval of financing for U.S. contractors, DSAA relies heavily on the experiences of other U.S. Government agencies which are empowered to debar/suspend contractors for cause.

A. Contracts will not be approved for U.S. suppliers which are included in the U.S. General Services Administration List of Parties Excluded From Federal Procurement or Nonprocurement Programs, the U.S. Commerce List of Denial Orders Currently Affecting Export Privileges or similar determinations in which the U.S. Department of State has made certain contractors ineligible to export material under the International Traffic in Arms Regulations. Should contracts involving such suppliers be submitted to DSAA, they will be returned to the prospective purchaser without action with the appropriate indication as to the Agency which has initiated the action of debarment or suspension. A copy of the letter will be furnished to the contractor involved.

B. The action required before such contracts can be considered for FMF is for the U.S. contractor involved to take appropriate administrative or legal steps to remove the relevant organization or individual from the debarment/suspension list. Such action should be taken directly with the Agency which has debarment responsibility.

26. If the contract includes a requirement for insurance, the use of a U.S. insurance firm is required.

27. If the contract includes an arbitration clause, the location of the arbitration must be identified as in either the United States or a mutually agreed third country and not in the purchaser country.

28. Contracts and supporting documentation should be submitted by the purchasing country to the following address:

Defense Security Assistance Agency
ATTN: Operations Management Division (OPS-MGT)
Washington, DC 20301-2800

29. Inquiries concerning these policies and procedures or the contract review process should be directed to the above address or by phone to (703) 604-6635.

Enclosures
As stated

TABLE 902-6. (Continued)

ESSENTIAL CONTRACT ELEMENTS**1. Elements that MUST be included in the contract.**

- a. Country
- b. Complete identification of U.S. Contractor to include name, address, and telephone number
- c. Contract number
- d. Complete nomenclature of defense articles and description of services to be provided
- e. Complete description of quantities and prices
- f. Complete description of financial arrangements:
 - Unit prices
 - **Advance payment**
 - Payment schedule (to include method of liquidating **advance** payment based on deliveries)
- g. **Contract clauses for contract administration**
- h. Identification of shipment terms
- I. Identification of any guarantee documents or clauses that could result in a refund to the purchaser, such as but not limited to:
 - **Advance payment guarantee documents**
 - **Interim payment guarantee documents**
 - Liquidated damages
- j. - Acceptance (signature) by both parties

Enclosure 1

TABLE 902-6. (Continued)

2. Elements that must be provided and can either be included in the contract, or submitted separately to DSAA by the Purchaser when the contract is submitted for FMF Funding approval.
- a. Identification of the non-U.S. origin components and services (Note: Raw materials and items procured by a manufacturer from both U.S. and foreign sources, which are not ordinarily segregated by origin, and are incorporated on an interchangeable basis into the manufacturer's products, need not be identified.)
 - b. Identification of offsets or countertrade requirements or agreements.
 - c. **Contractor's Certification.**
 - d. **List of Offerors and prices submitted on competitive procurements.**
 - e. **Justification for selection of other than the lowest offeror on competitive contracts.**
 - f. **Copy of DSAA approval of exception to use a direct commercial contract (if applicable).**
 - g. **Justification for procurement of non-standard items (if applicable).**
 - h. **Guarantee documents.**

TABLE 902-6. (Continued)

**REQUESTS FOR EXCEPTIONS FOR STANDARD DOD ITEMS AND
JUSTIFICATION FOR MAJOR-UNIQUE SYSTEMS TO BE FUNDED WITH
U.S. FOREIGN MILITARY FINANCING FUNDS MUST INCLUDE THE
FOLLOWING:**

A. Country:

B. Identification of Requirements:

- (1) U.S. Defense Items or Services:**
- (2) Quantity:**
- (3) Estimated Purchase Agreement Value: \$**
- (4) Projected date of submission of contract to DSAA for funding approval:**
- (5) Required delivery date**

C. Basis for requesting exception to allow FMF funding of a Direct Commercial Contract, including, but not limited to the following:

- (1) Statement as to why FMS is not considered appropriate**
- (2) Anticipated source of goods or services**

Enclosure 2

TABLE 902-6. (Continued)

REQUESTS FOR PROPOSAL AND CONTRACT CLAUSES

The following clauses are required to be incorporated into requests for proposal for sole source contracts of \$500,000 or more that will be funded with FMF.

Field Pricing Support

1. As a condition of foreign military financing of the contract, the contractor must agree to the requirement for field pricing support. This support will be provided by Defense Contract Management Command (DCMC) and Defense Contract Audit Agency and will normally include technical and cost analysis of the contractor's proposal. _____ (Enter Country Name) shall request field pricing support through the DCMC International Logistics Office in New York, NY. Field pricing support will include an audit review by the cognizant contract audit activity before concluding negotiation of the contract or any modification. The contractor is required to submit cost or pricing data in connection with pricing of this contract or any modification to this contract which affects the price of the contract.

2. The U.S. Government (USG) representatives shall have the right to examine and audit all the contractor's books, records, documents, and other data, related to proposing, negotiating, pricing, or performing the contract, in order to evaluate the accuracy, completeness, and currency of the cost or pricing data. The right of examination shall extend to all documents necessary to permit adequate evaluation of the cost or pricing data submitted, along with the computations and projections used. The contractor shall make available at its office at all reasonable times the materials described above for examination, audit, or reproduction, until 3 years after final payment under the contract. General access to the offeror's books and financial records shall be limited to USG representatives. The USG representatives shall verbally notify the purchaser immediately of data provided that is so deficient as to preclude review, or where the contractor has denied access to records or to cost or pricing data considered essential to the performance of a satisfactory review. This verbal notification shall be promptly confirmed in writing to the purchaser describing the deficiency or the denial of access to data or records. A contractor's failure to provide adequate cost and pricing data may disqualify the contract from consideration for FMF approval.

3. Field pricing support is intended to give the purchaser a detailed analysis of the proposal for use in contract negotiations to determine a fair and reasonable price. It normally includes an audit review by the cognizant audit activity and a technical analysis by DCMC.

a. Cost analysis will include, as appropriate:

- 1) Verification of cost or pricing data and evaluation of cost elements.
- 2) Evaluating the effect of the offeror's current practices on future costs to ensure that the effects of inefficient or uneconomical past practices are not projected into the future.

TABLE 902-6. (Continued)

b. Comparison of costs proposed by the offeror for individual cost elements with:

- 1) Actual costs previously incurred by the same offeror;
- 2) Previous cost estimates from the offeror or from other offerors for the same or similar items
- 3) Other cost estimates received in response to the purchaser's request;
- 4) Independent cost estimates by technical personnel;
- 5) Forecasts or planned expenditures.

c. Verification that the offeror's cost submissions are in accordance with U.S. DoD contract cost principles and procedures and, when applicable, the requirements and procedures of the Cost Accounting Standards.

d. Review to determine that all cost or pricing data necessary to make the contractor's proposal accurate, complete, and current has been either submitted or identified in writing by the contractor.

e. Analysis of the results of any make-or-buy program reviews, in evaluating subcontractor costs.

4. Technical analysis will include, at a minimum, a review and assessment of: the quantities and kinds of material proposed; the need for the number and kinds of labor hours and the labor mix; any special tooling and facilities proposed; reasonableness of proposed scrap and spoilage factors; and any other data that may be pertinent to the cost or price analysis.

5. Any subcontracts meeting the \$500,000 or more threshold will be subject to the same surveillance as the prime contractor.

Contract Administration

The following clause is required to be incorporated into all contracts of \$500,000 or more:

As a condition of FMF funding of the contract, the contractor agrees that Defense Contract Management Command (DCMC) and Defense Contract Audit Agency (DCAA) contract administration services will be performed to ensure that the contractor is in compliance with the Defense Security Assistance Agency (DSAA) Contractor's Certification and Agreement. DCMC, with assistance of DCAA, will perform contract administration services in accordance with the contractor's certification. DCAA will perform audits on contracts to ensure contractor's compliance with the contractor's certification. DCMC/DCAA contract administration services will be provided over the life of the contract. Other contract administration services that are available to the purchaser are outlined in FAR 42.302.

TABLE 902-6. (Continued)

**Version effective
January 1995**

Contractor's Name: _____
Contractor's Address: _____

Purchaser: Government of _____

Contract Number:_____ Contract Date:_____

The Contractor named above, in entering into an agreement to sell defense articles, defense services, or design and construction services to the foreign government listed above as the purchaser, hereby acknowledges that the sum to be claimed as due and owing under the contract or proforma invoice identified above (hereafter sometimes referred to as the "Purchase Agreement") is to be paid, in whole or in part, to the Contractor from U.S. Government funds made available to the foreign government under the provisions of the Arms Export Control Act, as amended. In consideration of the receipt of such sum, the Contractor certifies to and agrees with the U.S. Government, as represented by the Defense Security Assistance Agency (DSAA), the following:

1. Agrees that an authorized representative of the Department of Defense or other authorized representative of the Government of the United States shall, for a period of three years following receipt of the final payment made by DSAA on this Purchase Agreement, have access to and the right to examine any of the Contractor's directly pertinent books, documents, papers, or other records involving transactions related to this contract.
2. Agrees that on all sole source procurements of \$500,000 or more, and in other circumstances when required by the purchasing country, the contractor will allow the Defense Contract Management Command (DCMC) to conduct pricing reviews, at the purchaser's expense, as a condition for FMF funding of the contract.
3. Agrees to permit DCMC and the Defense Contract Audit Agency to perform contract administrative services on all contracts of \$500,000 or more (sole source or competitive) at the purchaser's expense.
4. Agrees to include in subcontracts under this contract, a clause to the effect that authorized representatives of the Government of the United States shall have access to and the right to examine, for a period of three years following the final payment to the Contractor by DSAA, any of the subcontractor's directly pertinent books, documents, papers, or other records involving transactions related to the subcontract. "Subcontract," for the purposes of this certification and agreement, is defined as all subsidiary agreements and purchase orders except: (a) those orders less than \$10,000 in value, (b) those orders in implementation of a Purchase Agreement awarded

TABLE 902-7. Contractors Certification and Agreement.

by the foreign government to the Contractor on a competitive lowest responsive bid basis, (c) those orders for common hardware items purchased at widely circulated catalog prices, or (d) those orders issued prior to and effective prior to date of the Purchase Agreement identified above.

5. Agrees that all provisions in the certification apply to all subcontractors. Agrees that it is the prime contractor's responsibility on all subcontracts to obtain the written compliance to the certification signed by the prime contractor from its first and second tier subcontractors.

6. Agrees to include in the written terms and conditions of each such subcontract a prominently displayed statement that United States Government funds will be used to finance such subcontract, and that acceptance of the subcontract order will constitute acknowledgment of such notification of U.S. Government (USG) financing.

7. Certifies and agrees that no bribes, rebates, gifts, kickbacks or gratuities, which are intended to secure the Purchase Agreement or favorable treatment under the Purchase Agreement or for any other purpose relating to the Purchase Agreement, have been or will be directly or indirectly offered or given contrary to United States law to, or have been or will be arranged contrary to United States law with, officers, officials, or employees of the purchaser by the Contractor, its employees or agents.

8. Agrees to include in the written terms and conditions of each such subcontract applicable to this contract a prominently displayed statement that acceptance and implementation of the subcontract constitutes a declaration and agreement by the principal executive officers of the subcontractor that no bribes, rebates, gifts, kickbacks, or gratuities, which are intended to secure the Purchase Agreement or the subcontract for favorable treatment under such agreements or for any other purpose relating to the Purchase Agreement or the subcontract have been or will be directly or indirectly offered or given contrary to United States law to, or have been or will be arranged contrary to United States law with, officers, officials or employees of the purchaser by the subcontract, its employees or agents.

9. Agrees that the U.S. Government has the right, without accruing any liability, to suspend the financing of this Purchase Agreement on the instruction of the purchaser or for any suspected or confirmed misrepresentation or violation of any certification or agreement provided by this Contractor to obtain such financing.

10. Certifies that, unless identified below, the materiel or components to be provided under the Purchase Agreement are of U.S. manufacture. Agrees that, if DSAA approves financing of the dollar value of non-U.S. origin components or services stated in this certification, or a specified dollar value of non-U.S. origin content, this value will not be exceeded. Certifies that the dollar value of all non-U.S. origin or non-U.S. manufactured items and components, and non-U.S. services procured or to be procured specifically for this Purchase Agreement is indicated below. The value of raw materials and common hardware items which are procured by a manufacturer from both U.S. and foreign sources, are not ordinarily segregated by origin, and are incorporated on an interchangeable basis into the manufacturer's products need not be identified.

\$ _____ (Total dollar value of non-U.S. origin components and services in the Purchase Agreement)

11. Certifies that all non-U.S. goods and services will be identified prior to approval of foreign military financing. Agrees to identify to DSAA, prior to the purchase, any change to the non-U.S. goods and services declared in paragraph 10 above. Certifies that if foreign military financing

TABLE 902-7. (Continued)

funds are denied either in whole or part, that these costs will not be financed with USG funds received from the U.S. Government under the Purchase Agreement either directly or indirectly and a direct charge must not be charged to the contract in the contractor's internal accounting records.

12. Certifies that no element of the Purchase Agreement includes any commission or other contingent fee.

13. Certifies that funds received by the Contractor from the U.S. Government under the Purchase Agreement will not be used to purchase services, other than those described in paragraphs 10 above, utilized in the performance of the Purchase Agreement from non-U.S. contractors or individuals that are not resident in the United States, unless the financing of such services is expressly authorized by the DSAA.

14. Agrees to identify the full amount of any advance payment received under the Purchase Agreement in its accounting records as an advance payment, to apply these funds solely to the performance of obligations under this Purchase Agreement, and to provide a clear audit trail on the use of these funds. Agrees to certify on the advance payment invoice that the total amount of the payment requested does not exceed 15 percent of the contract price. Agrees to include in the written terms and conditions of each subcontract a prominently displayed statement that acceptance and implementation of the subcontract constitutes agreement by the subcontractor to identify the full amount of any payment received under the subcontract in its accounting records and to provide a clear audit trail of the use of these funds.

15. Agrees that export transportation costs financed under terms of the Purchase Agreement will be paid only to steamship, barge, tug, and airline companies of United States registry. Agrees that amounts billed for such transportation shall be only the cost for shipping the defense articles provided under the terms of the Purchase Agreement. Freight forwarder services are not authorized for FMF funding unless specifically authorized by DSAA.

16. Certifies that the cost of transportation, lodging, meals, entertainment and other personal support costs incurred by or on behalf of the purchaser's personnel relating in any way directly or indirectly to this contract will not be paid by the contractor.

17. Certifies that the full extent of the contractual relationship between the Contractor and the purchasing government, as it pertains to this Purchase Agreement, consists of: (list articles, clauses, annexes, exhibits, appendices, letters, purchase orders, etc) _____

and recognizes that the U.S. Government makes no commitment to finance any additional or subsequent agreements related to this Purchase Agreement.

18. Agrees that the Contractor's invoices will be prepared in accordance with the relevant provisions of the Purchase Agreement and will be submitted through the purchaser for presentation to the DSAA for payment, as follows:

a. As a minimum, the invoices must: (1) reflect the amount due and payment due date; (2) specify whether the amount billed is a down payment, progress/milestone payment, or delivery payment; (3) list the items and services delivered for which payment is requested; (4) indicate by a separate entry the transportation costs, if not included in the item price; (5) designate the FOB point and "ship to" address; (6) designate the address to where the payment should be sent; (7) provide

TABLE 902-7. (Continued)

the name of the carrier(s) to be used from the U.S. Port Of Embarkation whenever the amount being billed includes the "cost, insurance, and freight (CIF) terms of delivery of invoiced items to a destination point outside the United States; and (8) be supported by a copy of freight bills, air way bills, or rated on-board bills-of-lading, fully accounting for the cost of inland and export transportation of the items covered by the invoice for which payment is requested. If the Contractor pays for the transportation, whether the transportation cost is included in the price of the item or billed separately to the Purchaser, bills-of-lading or air way bills must be submitted with the invoice for which payment is requested. A copy of the invoice for the cost of any insurance coverage on the shipment must also be submitted along with the shipping documents.

b. If the contractor is not paying for the export transportation costs, the Contractor will submit a certification with the invoice as follows:

The (Contractor) acknowledges that U.S. Government funds are being used by the Government of _____ to finance this purchase and certifies that no shipping cost has been incurred by this firm for exporting this materiel from the United States and no shipping cost is included in the sales price or otherwise included in the invoiced amount for which payment is requested.

c. All Contractor's invoices must be submitted with the following certification:

The (Contractor) acknowledges U.S. Government funds are being used by the Government of _____ to finance this purchase and certifies that the invoice(s) submitted with respect thereto are free from any material false statement or misrepresentation and do not omit any material facts.

19. Agrees that any penalty payment, refund, or other reimbursement due to the purchaser pursuant to this Purchase Agreement will be paid to the U.S. Government for credit to the FMS trust fund account of the purchaser. Agrees to ensure that the DFAS Denver receives a copy of the bonding or guarantee documents, such as Performance Bonds or Letters of Guarantee applicable to this Purchase Agreement.

20. Certifies that neither the Contractor nor any of its employees are suspended or debarred from conducting business with any agency of the U.S. Government and that export privileges are not suspended or revoked. Agrees that no such suspended or debarred firms will be used as a source of supplies or as a subcontractor for this Purchase Agreement.

21. In addition to the agreement in paragraph 1 above and for purposes of facilitating official U.S. Government inquiries to determine whether criminal offenses may have been committed regarding the use, disbursement, or other disposition of funds made available under the U.S. Arms Export Control Act, to finance this Purchase Agreement, agrees:

(a) to identify and to consent to the disclosure of the following accounts to, and at the request of, the U.S. Department of Defense, the U.S. Department of Justice, or U.S. Federal grand juries:

(1) accounts wherever located in the name of such Contractor; and

(2) accounts located outside the United States in the name of the principal executive officers of such Contractor (and any nominees) who have been personally and substantially involved in this Purchase Agreement.

TABLE 902-7. (Continued)

(b) for these purposes to include in the written terms and conditions of each subcontract (as defined in paragraph 4 above) applicable to this Purchase Agreement a statement that acceptance and implementation of the subcontract constitutes agreement by the subcontractor to identify and to consent to the disclosure of the following accounts to (and at the request of) the U.S. Department of Defense, or the U.S. Department of Justice, or U.S. Federal grand juries:

(1) accounts wherever located in the name of such subcontractor or supplier; and

(2) accounts located outside the United States in the name of the principal executive officers of such subcontractor or supplier (and any nominees) who have been personally and substantially involved in this subcontract under the Purchase Agreement.

The term "consent to the disclosure" for purposes of sub-paragraphs (a) and (b) of this paragraph includes an agreement to provide consent documents authorizing the disclosure of such information upon request.

22. By signature below, the named individuals hereby separately certify: (1) that he or she has actual authority to sign on behalf of the Contractor and to bind the Contractor with regard to all agreements and certifications contained hereon; (2) that this certification and agreement is being signed and submitted for the purpose of receiving payment under terms of the above listed Purchase Agreement to be financed by U.S. Government funds; and (3) that the information provided in this Certification and Agreement is complete and correct to the best of each signatory's knowledge and belief after each has taken appropriate steps to verify the accuracy thereof. The person(s) signing the Purchase Agreement may not also sign this Certification and Agreement. In the event that the Contractor is a partnership, two general partners are required to sign this Certification and Agreement.

I Certify under penalty of perjury that the foregoing is true and correct to the best of my knowledge based upon: (1) written representation made to me by identifiable individuals within this company and which representations will be maintained for five years after receipt of the final payment made by DSAA on this Purchase Agreement; or (2) that I have exercised personal due diligence to ascertain that all statements in this certification are true and correct.

VICE PRESIDENT (OR MORE SENIOR
OFFICIAL) HAVING SUPERVISORY
RESPONSIBILITIES OVER THE MAKING
OF THIS PURCHASE AGREEMENT

TREASURER, COMPTROLLER,
OR OTHER SENIOR FISCAL
OFFICIAL

(Signature)

(Signature)

(Typed name)

(Typed name)

(Title)

(Title)

(Date)

(Date)

TABLE 902-7. (Continued)

TABLE 902-8

**NOTIFICATION OF REQUIREMENTS FOR DIRECT ACQUISITION
TO BE FUNDED WITH US FMS LOAN FUNDS**

A. Country: _____

B. Identification of Requirements:

1. US Defense Items or Services: _____

2. Quantity: _____

3. Estimated Purchase Agreement Value: \$ _____

4. Projected date of submission of contract to DSAA for funding approval:

C. Comments: (Include information regarding firms to receive bid requests and your competitive acquisition process) _____

TABLE 902-8. Notification of Requirements for Direct Acquisition to be
Funded with US FMS Loan Funds

TABLE 902-9
DETERMINATION

Pursuant to Section 42(c) of the Arms Export Control Act and the authority thereunder delegated by Executive Order 11958 to the Secretary of Defense (and successively redelegated on February 12, 1972, and February 24, 1972, to the Director, DSAA, or, in his absence, the Deputy Director, DSAA), I hereby determine that procurement outside the United States

[for the Government of (country) under a Letter of Offer and Acceptance]

[by the Government of (country) pursuant to a direct commercial contract]

of (general description of defense articles or services) will not result in adverse effects upon the economy of the United States or the industrial mobilization base, and I therefore authorize the use of Foreign Military Financing funds made available to the Government of (country) for such procurement.

DATE: _____

Director, DSAA

cc: Comptroller, DSAA

CONCURRENCES:

Department of the Treasury

Department of State

TABLE 902-9. OSP DETERMINATION

SECTION 903 - TRANSPORTATION

[The information in this section has been moved to section 80206.]

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TABLE OF CONTENTS

CHAPTER TEN

TRAINING PROGRAM MANAGEMENT

	Page
Section 1000 - Introduction and General	1000-1
100001 Basic Guidelines	1000-1
100002 Program Planning and Development	1000-1
100003 Cross-Service Training	1000-3
100004 DoD Informational Program	1000-3
100005 Extraordinary Expenses	1000-4
100006 Classified Information	1000-4
100007 Minimum Student Age	1000-5
100008 Self-Invited Visits	1000-5
100009 Security Assistance Network Automation Program	1000-5
Table 1000-1 - Two Year Training Plan	1000-6
 Section 1001 - International Military Education and Training	 1001-1
100101 IMET Areas of Emphasis	1001-1
100102 Objectives	1001-1
100103 Expanded IMET Objectives	1001-1
100104 General Constraints to IMET Funding	1001-1
100105 Specific Policy Constraints Requiring Waiver Approval	1001-2
100106 Policy and Legal Constraints that Cannot be Waived	1001-3
100107 Required Military Police Training Certification	1001-4
100108 Submitting Requests for IMET Waivers	1001-4
100109 Selection, Utilization, and Monitoring of Trainees	1001-4
100110 Allocations and Reallocations	1001-5 **
100111 Transportation for IMET Trainees	1001-5
100112 Living Allowances for IMS	1001-7 *
100113 IMS Baggage and SCIATT Guest Instructor Allowances	1001-8
100114 Medical Costs	1001-9
100115 Assignment of Budget Year Priority Codes	1001-10 *
100116 Training Analysis Codes	1001-10
100117 Standardized WCNs	1001-10
100118 Fifth Quarter Training	1001-10
100119 Implementation	1001-11 *
100120 Funding and Financial Considerations	1001-11 *
Table 1001-1 - IMET Waiver Request Format	1001-15
Table 1001-2 - Daily Supplemental Living Allowances for IMET Students	1001-17
Table 1001-3 - Training Analysis Codes	1001-19
Table 1001-4 - Standardized Worksheet Control Numbers	1001-22
 Section 1002 - Foreign Military Sales Training	 1002-1
100201 AECA Requirements	1002-1
100202 Program Finalization	1002-1
100203 Training Requirements Related to Purchase of Major Equipment	1002-1
100204 Tuition Rates	1002-2
100205 Training at Civilian Institutions or by Contractor	1002-2
100206 Training of Civilians Under FMS	1002-2
100207 Transportation and Travel	1002-2
100208 Living Allowances and Privileges	1002-2

Section 1003 - Specialized Training	1003-1
100301 General	1003-1
100302 English Language Training	1003-1
100303 On-The-Job or Familiarization Training	1003-3
100304 Observer Training	1003-3
100305 Mobile Training Teams	1003-3
100306 Field Training Services	1003-5
100307 Orientation Tours	1003-6
100308 Reciprocal Exchange Training	1003-7
 Section 1004 - Student Administration	 1004-1
100401 Invitational Travel Orders for IMS, DD Form 2285	1004-1
100402 Security and Classified Items	1004-1
100403 Civilian Commissary and Exchange Privileges	1004-1
100404 Student Medical Screening	1004-1
100405 Uniforms and Personal Clothing	1004-2
100406 Visits to Canada and Mexico	1004-2
100407 Dependents of Students	1004-2
100408 IMS and Dependent Employment	1004-2
100409 Disposition of IMS in Event of Emergency	1004-2
100410 Political Asylum and Temporary Refuge	1004-2
100411 Instructional Course Materials	1004-2
100412 Country Liaison Personnel	1004-3
100413 Leave or Leave Extensions (IMET Only)	1004-3
 Section 1005 - Positions of Prominence Report	 1005-1
100501 PPR for Former Students	1005-1
100502 Description of Military Ranks for Reporting Purposes	1005-1
100503 Description of Civilian Ranks for Reporting Purposes	1005-1
100504 Data Format	1005-1
100505 Reporting Period and Timing	1005-1

National Telecommunications and Information Systems Security Committee (NISSC). Classified material may not be released to students. See Paragraph 50111 regarding transmission of classified material to foreign governments.

100007 MINIMUM STUDENT AGE. The minimum acceptable age for students receiving SA training is 18 years, or 17 years with parental consent.

100008 SELF-INVITED VISITS. Self-invited visit requests should be submitted outside SA channels, from the host country Washington Attaché to the cognizant IA in accordance with applicable IA regulations.

100009 SECURITY ASSISTANCE NETWORK AUTOMATION PROGRAMS. The Training Management System (TMS) software program is designed for program management and control, utilizing the Integrated Standardized Training List as one of its principal data bases. General policies concerning TMS and related SAN programs are included in Section 1504. Detailed TMS and related SAN system interface procedures are contained in the *SAN Training User's Handbook*, published by DISAM.

A. Part One - General Information

1. Country Background. [A brief explanation of political, economic, military, and cultural aspects of country that effect the SA training relationship with the US. Stated another way: Why do we have a program with this particular country?]

2. Security Assistance Training Program Objectives.

- [- Specific US program objectives.
- Host country objectives.
- Significant accomplishments toward meeting objectives.
- Future objectives and program requirements.]

3. Program Planning.

a. Program Development. [This should include a brief description of the training planning process, highlighting the host country and SAO roles, problems (if any), and plans for improvement.]

b. Explanation of host country capabilities and third country provided training. [How do these affect this training program?]

c. Evaluation of prior year program successes or failures. [How do these affect current program planning? This evaluation should answer the questions: (1) How effective does the host country employ the skills and training of returning IMET graduates? (2) How has training under the IMET program enhanced the professionalism and improved the capabilities of the host country? (3) How has the IMET program, particularly the expanded IMET program, contributed to effective defense resource management, concepts of civilian control of the military, and respect for internally recognized human rights?] and (4) Give anecdotal examples of * how the SA training program has furthered US access, interests, or objectives.]

d. Brief explanation of what is being done to build on successes and correct failures.

B. Part Two - Program Summary.

1. Statistical Summary Chart for FMS only. [This is the standard chart already * included in current "Two Year Plans" and "Training AIASAs." The format is shown below.]

Three Year Training Program Summary Chart
Country Name IMET (\$000)

Current Year (IMET \$ Level) Students/\$/	Budget Year (IMET \$ Level) Students/\$/	Planning Year (IMET \$ Level) Students/\$/
---	--	--

CONUS Training
PME
MGT
POSTGRAD
UPT/FLT

Table 1000-1. Two Year Training Plan (Page 1 of 4)

TECH

OT

Subtotal CONUS Training:

OCONUS TNG

Other

TNG Teams

Support

Sub Total Other

Total IMET Program:

FMS Training Programs should be broken out by total cases, students, training spaces, and dollars as shown below:

Country Name FMS (\$000)

Current Year

Budget Year

Planning Year

Total Cases

Total Students

Total Spaces

Total Dollars

Total Teams/Members]

2. Significant Training.

a. Mid and Senior Level PME Requirements. [Should show firm mid and * senior level PME requirements for the budget year and estimated requirements for the plan year. The schools that should be reported are shown below.

Mid and Senior Level PME Requirement

School [Number of Quotas Desired] by [Budget Year] Quotas by [Planning Year] Quotas

- National Defense University
- Army War College
- Navy Command College
- Air War College
- Army Command & Staff College
- Navy Staff College
- Air Command & Staff College
- USMC Command and Staff College
- Armed Forces Staff College
- Sergeants Major Academy

Justification: [Provide a five to six sentence paragraph to help the UCOM develop a priority list and justification to support your request for PME quotas for the budget year only. Requests for * NDU should specify either the National War College or Industrial College of the Armed Forces, civilian or military option.]

b. Expanded IMET Requirements for Budget Year and Plan Year.
Report all Expanded IMET requirements. *

Table 1000-1. Two Year Training Plan (Page 2 of 4)

c. Other Significant Training. [Any other significant training the SAO wishes to highlight as critical to implementation of the current year, budget year, or plan year training program. Include non-SA education and training such as the Air Force aviation leadership program and DoD regional centers. This section should include planned or anticipated major equipment acquisitions that will require DoD training.]

3. Other US Funded Assistance Programs. Any other US assistance involving ** DoD support should be reflected in this section to include program description and funding levels (such as INC and demining monies).

C. Part Three - Program Administration. [An update to annually reoccurring administrative requirements. This will preclude submitting these individually throughout the year.]

1. Budget year holidays for international students (two in addition to US holidays). [This is same information previously requested by DLIELC on behalf of the MILDEPs each summer.]

2. IMET TLA factors for the budget year. [IMET cost sharing factors such as cost of round trip air fare to CONUS; whether or not country will pay any or all of IMET TLA, etc. This is same information SAOs provide to the MILDEPs in response to a SATFA message each summer. See Table 1001-2.]

3. Break out of total projected budget year IMET funding allocation. [Show the percentage and dollar value level, by US MILDEP. Navy data should include USMC and USCG.]

D. Part Four - English Language Training. [Show a brief explanation of the country's ELT, to include:

1. Status of language labs, including plans to upgrade those labs and plans to acquire additional labs. SAOs should provide the current message address, mailing address, SAO phone number, SAO datafax number, and "ship to" address for language labs/books and publications. All level III and IV IMET funded labs require a waiver. Requests for waiver consideration are to * be sent to the UCOM, info DSAA-Plans-PGM.

2. Plans to acquire English language software.

3. English language instructor training requirements.

4. Unique or special problems for students that train at DLIELC.

5. English language testing and training waivers (your recommendation for the country's proper English language waiver category; e.g., waived from all testing, waived from in-country testing, waived from the 55 minimum ECL to train at DLIELC)]

E. Part Five - Positions of Prominence. [Data should be reported annually in the two year training plan in accordance with Section 1005.] *

F. Part Six - Army Training. [Show information to elaborate on US Army training programs. This section would include any OT, MTT, OJT, OBT, or special training requests for the US Army, to include training associated with major equipment acquisition.]

G. Part Seven - Naval/Maritime Forces Training. [Elaborate on naval or maritime forces training programs. This section would include any OT, MTT, OJT, OBT, or special requests for US maritime forces training to include INM or ACS training programs, and training associated with major equipment acquisition. This part should include sections for the US Navy, Marine Corps, and Coast Guard.]

H. Part Eight - Air Force Training. [Information to elaborate on Air Force training programs. It would include any OT, MTT, OJT, OBT, QUAL, FTD or special training requests for the Air Force, to include training associated with major equipment acquisition.]

I. Part Nine - IMET Policy Waivers. [For IMET funded training that requires specific approval in accordance with this chapter or separate UCOM guidance.]

[This page intentionally left blank.]

D. Minimum Duration of Student Training in US. Prior DSAA and UCOM approval is required to program students for training in the US for less than eight weeks total duration if all or part of the overseas travel is paid by IMET. If host country elects to fund round-trip transoceanic travel, no approval is required to program such training. Mandatory CONUS personnel processing or ELT will not be considered as part of the eight-week requirement. This limitation does not apply to OTs or flag rank related courses conducted by the Defense Resources Management Institute, those courses conducted by the US Army School of the Americas (SOA) and IAAFA, Air Force physiological and physiological refresher training, and DISAM training.

E. High-Cost Training. IMET funds should not normally be used for high-cost training, which is defined as any training or any single course of training with a tuition cost of \$30,000 or higher. However, selected high-cost training will be considered on a case-by-case basis by DSAA and the UCOM. Training previously priced at less than the \$30,000 high-cost threshold which subsequently exceeds the threshold due to a price increase of not more than ten percent does not require a waiver to the high-cost restriction.

F. Training Provided by Contractors. IMET funds are primarily intended to provide DoD training. Training by US contractors will be considered only when the required training is not available within DoD resources.

G. Training of Civilians. Training of Defense civilians, non-defense ministry civilians, ** legislators, individuals who are not members of the government (NGOs) under the Expanded IMET program, training of defense civilians for the express purpose of teaching, developing, or managing in-country English language training programs, and training of defense civilians in counternarcotics related areas is authorized. Additionally, maritime law enforcement and other maritime skills training for agencies which are non-defense, or agencies which perform a maritime law enforcement mission, and other maritime skills training provided to a country which does not have a standing armed forces is authorized. Training of civilians in other than these four areas requires an exception to policy.

100106 POLICY AND LEGAL CONSTRAINTS THAT CANNOT BE WAIVED.

The following are expressly prohibited from IMET funding:

A. Training of Police Forces. FAA Sec 660 does not permit training of police forces. "Police" as used in this prohibition includes military as well as civilian police if the military police perform civilian law enforcement functions. Neither the name given to a unit by the foreign government nor the ministerial authority under which it operates is sufficient in and of itself to determine whether a particular force is a "police unit". The determining factor is the nature of the function performed by that unit. Military police training of non-police personnel is permitted and requires a certification that the individual will not be involved in any civilian law enforcement activities for a period of two years. See Paragraph 100107.

B. Training Non-Defense Personnel. Personnel who are not members of the requesting country's defense establishment or armed forces are not eligible to be trained using traditional IMET funding. This prohibition does not apply to Expanded IMET training of civilian personnel from non- defense ministries or personnel from the country's legislature branch.

C. Foreign Language Training.

D. Purchase of Training Aids Other than English Language Equipment or Materials.

E. Correspondence Courses.

F. Doctoral/PhD level Training.

G. Training to Support National Intelligence Programs. The scope of military intelligence training normally available to international students is limited to that which is directly related to combat or operational intelligence. Tactical intelligence training provided under SA programs will not be extended to include training in support of national intelligence programs of foreign countries. All requests for intelligence training provided by the IAs will be reviewed carefully by the IA to ensure compliance with this paragraph. Other potentially sensitive training requests should be addressed to DSAA for appropriate guidance, processing, or decision.

100107 REQUIRED MILITARY POLICE TRAINING CERTIFICATION. When military police training is provided to non-"police" personnel, a certification is required from the country that the student to attend military police training will not be involved with or assigned to a unit performing any civilian law enforcement functions for a period of at least two years. SAOs may forward programing requests for military police training to the IA and must retain a copy of a signed certification prior to sending the student to training. Certifications must: (1) if in a language other than English, be accompanied by an English translation; (2) include student name and rank, course title, MASL identification number, host country service, and WCN; (3) be signed by appropriate host country official; and (4) be maintained on file by the SAO for a minimum of three years. The following is a sample certification statement:

The Government of ___(country) certifies that ___(student rank and name), who is scheduled to attend ___(course title/MASL ID) under WCN ___(number), is a member of ___(host country service) and will not be involved with or assigned to a unit performing in any civilian law enforcement functions for a period of at least two years following completion of training listed above.

100108 SUBMITTING REQUESTS FOR IMET WAIVERS.

A. Submitting Requests. SAOs will submit requests for waivers to the above constraints at the UCOM Training Program Management Review (TPMR). Requests will include complete justification for the training and a written statement of SAO Chief concurrence. Those requests that of necessity must be submitted outside the TPMR will be addressed by the SAO to the UCOM with information copy to DSAA-Plans and appropriate IA. After appropriate coordination between DSAA and the UCOM, and depending on the particular circumstances of the request, DSAA or the UCOM will respond to the SAO request with information copy to appropriate IA.

B. Programing. IAs should program training lines requiring waiver using the appropriate waiver code in card column 58. Upon receipt of UCOM and DSAA approval, IAs will enter an "A" in card column 57. The waiver code in card column 58 will be a permanent entry and maintained for historical purposes.

C. Waiver Request Format. When submitting requests for waivers, the format in Table 1001-1 will be used.

100109 SELECTION, UTILIZATION, AND MONITORING OF TRAINEES.

A. Selection. To the extent practicable, personnel trained under the auspices of the IMET program, and particularly those attending CONUS schools, will be selected from career personnel likely in the future to occupy key positions in the foreign country's defense establishment. Except as may be authorized specifically by DSAA, the requirement for selection of career personnel is mandatory for attendance at professional level schools; e.g., command and staff or equivalent and higher, and college level.

B. **Utilization.** Under the direction and supervision of Commanders of UCOMs, SAOs are responsible for obtaining appropriate assurances that personnel trained under the auspices of this program are properly and effectively utilized. Such utilization is defined as prompt employment of the individual in the skill for which trained for a period of time sufficient to warrant the expense to the US. As a guide, optimum assignment periods are considered to be three years for flight instruction and highly technical training such as missile training, and not less than two years for other training, particularly instructor training.

C. **Monitoring.** To the extent consistent with available resources, SAOs are expected to monitor utilization of US trained personnel, with emphasis on the more critical and higher level skills. Periodic reports by appropriate foreign authorities normally will satisfy this requirement.

100110 ALLOCATIONS AND REALLOCATIONS.

**

A. **End-of-Year Review of IMET Allocation Levels.** UCOMs will provide comments and recommendations concerning the status of individual country IMET allocation levels to DSAA at the annual TPMR. SAOs will use the TPMR to validate requirements for additional funds with IAs before presentation to the UCOMs. Subsequently, NLT than 30 June, UCOMs will identify (1) countries that will not be able to utilize all of their currently allocated IMET levels and recommend revised country allocation levels; (2) programs that have valid training requirements above current allocated IMET levels and recommend corresponding increases to country allocation levels; and (3) programs that will require no change in allocation levels. Recommendations for increases will be prioritized within each UCOM and will include a descriptive narrative to identify the type of training and number of students associated with the dollars requested. Specific WCNs should be identified. UCOMs will ensure that SAOs submit appropriate program additions or other changes reflecting priority code D and quarter availability no later than 31 July. Note that if Congressional notification is required, reallocated funds may not be available until September. To plan accordingly, the SAO should have programmed an appropriate number of confirmed 5th quarter requirements.

B. **Out-of-Cycle IMET Reallocations.** Unique circumstances may arise within a given fiscal year requiring an out-of-cycle regional IMET reallocation. Such a requirement will be handled as an exception to the above process.

100111 TRANSPORTATION FOR IMET TRAINEES. It is DoD policy to encourage foreign countries to assume the cost of transportation and living allowances for their students to the maximum extent possible so that IMET funds are utilized to permit higher numbers of students to be enrolled in training.

A. **Travel within Student's Country.** The program will not pay travel costs of students traveling within their own country. Destination for return travel will be the same as the debarkation point on the ITO unless deviation is specifically authorized by the SAO and indicated on the ITO.

B. **Use of Foreign Flag Carriers.** Whenever possible, SAOs assigned to countries which have national flag carriers with routes to or part way to the US will obtain agreement from the host countries to transport their respective students on such carriers at no cost to the US.

C. **Modes of Transportation When Furnished by the US.** Travel between home country and the training center for those IMS provided transportation by the USG will be the most direct route, except as specified below.

1. **Travel to or from CONUS by US Military Aircraft.** IMS are authorized to travel by US military aircraft. Transportation of IMS including those whose country elects to pay the cost of the transportation will be at common user rates.

2. **Travel to or from CONUS by US Commercial Air or Surface.** Travel to or from the US will be via USG transportation to the fullest extent feasible. When the use of USG transportation for the entire trip does not permit the student to meet course or class convening dates, combinations of US commercial air or surface common carrier (tourist class) and government transport will be used. Where this combination has been used, USG transportation for the return travel to the home country will be utilized to the fullest extent possible. If a US flag carrier is not available, the JFTR requires a certificate of non-availability.

3. **Travel within CONUS.** Transportation to and from training installations within the US generally will be by surface common carrier or commercial aircraft. Travel by privately owned vehicle may be authorized except in those instances in which it would be prejudicial to the best interests of the USG.

D. **Funded Travel.** Transportation may be funded except for those students from countries with which the US has reached agreement for such countries to pay transportation expenses.

E. **Transportation for Dependents of Trainees.** Transportation for dependents of IMS will not be provided at USG expense. If the student elects to bring dependents to the US (or to an overseas training installation) for those courses identified in Table 1001-2, Note 4, the student may be reimbursed for the cost of transportation as prescribed in the ITO so that the student may travel with the student dependents. When this option is selected, the student is required to utilize US flag carriers if available. In these instances, the student will be reimbursed for travel costs as follows:

1. The US military airlift tariff rate if US military airlift transportation would have been the mode utilized through USG arrangements, or the actual cost of travel, whichever is lower.

2. Category Z rate or the actual cost of travel, whichever is lower.

F. **Transportation for Emergency Leave.** Round trip transportation costs for a student returning to home country on emergency leave will be paid by the student or the student's government if the student is to return to the US for continuation of training.

G. **Deviations From Planned Travel Routes.** When a student is permitted by his government to deviate from the most direct route for the purpose of visiting other countries, US sponsorship will terminate at the point and time of such deviation. Further, should a student elect to remain at a point enroute to home country beyond the time normally required to make travel connections, funding of allowances during that excess time is not authorized. Students who do not adhere to scheduled return flights will not be the responsibility of the USG. The student is responsible for any additional financial charges incurred due to change in travel route.

H. **Enroute Accommodations.** Accommodations on US installations provided to foreign students enroute will be commensurate with those provided US personnel of equivalent grade.

I. **Travel of Non-Resident SAO.** SAOs responsible for managing an IMET program for a country in which it is not resident may program IMS transportation to or from that SAO for briefing or debriefing of IMET IMS, so long as there is no US representation in the country of the

IMET student that could provide the service and when requested by the Ambassador. This does not apply for cost sharing countries.

100112 LIVING ALLOWANCES FOR IMS. The IMET living allowance is a standard rate, equally applicable to all countries, and is intended to cover an average cost differential of the student living away from his home station. It is not a substitute for normal compensation. Responsibility for timely payment of sufficient overall compensation to allow for decent living standards and effective completion of training rests with the student's country. It is DoD policy to encourage foreign countries to assume the cost of all living allowances so that IMET funds are utilized to permit higher numbers of students to be enrolled in training.

A. Entitlements for IMS in Travel Status. When IMET pays travel and living allowance, students are entitled to living allowances during travel status, to include the day of departure from home country, through the day of arrival at their first training location. Living allowance in training status will commence the day after arrival at the training location. Living allowance in a travel status will resume the day of departure for home country, excluding any leave period authorized by student's government following termination of training or any unauthorized delay enroute. Students are not authorized travel allowance for any portion of travel paid by their government. Living allowances will be computed incrementally in accordance with the JTR on the day of departure from home country and the day of arrival in home country.

B. Transoceanic Costs Borne by Foreign Country. IMS whose travel to the US is paid by their own government are entitled to living allowances in a travel status to include the day of departure from the US entry port enroute to the training location, through the day of arrival at the training location. Living allowance in a travel status will resume the day of departure from the last training location and include the day of arrival at the US departure point. This policy also applies to IMS whose country pays a portion of the transoceanic travel costs; e.g., from homeland to London and return.

C. Entitlements for IMS in Training Status. A living allowance will be programed (see Table 1001-2) for all students in a training status, unless otherwise directed or if the student is from a country with a per capita GNP greater than \$2,349 in the 1988 World Bank Report. For programing purposes, a standard factor will be used for officers and for enlisted personnel based on the assumption that quarters are available but mess is not available for officers; quarters and mess are available for enlisted personnel. For enlisted personnel, the full entitlement is not paid directly to the student. Enlisted personnel are paid a reduced stipend per week for the purchase of personal items of health and comfort, with the remainder programed for reimbursement to the appropriate IA for laundry, maid fees, and subsistence. Where it is known in advance that quarters or mess are not available, the appropriate factors in Table 1001-2 will be used for programing. Where it is determined that dependents are authorized to accompany students; i.e., those attending selected courses designated by the IAs as indicated in Note 4 of Table 1001-2, the "with-dependents" rate will be used.

- D. Non-Authorized Living Allowances.** Living allowances are not authorized for:
1. Periods of unauthorized absence from duty.
 2. Excess travel time not authorized by the administrative authority of the IA concerned when proceeding by other than USG transportation.
 3. Periods of delay not in connection with training (except hospitalization or outpatient care).
 4. Students whose country assumes the payment of all living costs.

5. Periods of training conducted in the home country of the student, except for Panamanian IMET students attending the SCIATTS and for IMS attending MET seminars in their own country when approved by DSAA.

6. Periods of leave for individuals on OTs.

7. Periods of leave authorized by student's government following termination of training courses.

E. **Leave with Living Allowances.** IMET students who receive living allowances while in training status may be granted leave with living allowances within CONUS during authorized holidays, during periods between consecutive courses, and during periods of delay while awaiting transportation at the point of departure for their home country. The SAO and the MILDEPs are jointly responsible for reviewing scheduled sequences of training for individual IMS to determine whether additional training courses or OJT/OBT could be programed to fill gaps between courses prior to preparation of the ITO for all IMS.

F. **Advance Payment of Living Allowances.** Advance payment of living allowances not to exceed \$100 may be made to students prior to departure from home country, at the point of entry or the first training location for students in the US and at the first training activity for overseas students. When the advance is made in-country, the SAO will indicate the amount of the allowance paid in Item 13 of the ITO. IAs may authorize advance payment of allowances which may accrue during the remaining authorized periods following the termination of training.

G. **Settlement of Claims.** Vouchers for settlement of outstanding entitlements for IMET students will be submitted via the SAO to the nearest US paying agent for payment to the students in local currency at the authorized exchange rate no later than 15 calendar days after return to country. If it is determined that an IMET student who has departed the CONUS or overseas training activity was overpaid in CONUS or at the overseas activity by an amount in excess of any amount otherwise owed to the student upon submission of the final travel voucher by the SAO in country, no attempt will be made to collect the overpayment from the trainee. The IA concerned will determine whether a funding adjustment via an IMET Order is necessary for the WCN series concerned.

100113 IMS BAGGAGE AND SCIATT GUEST INSTRUCTOR ALLOWANCES.

A. **IMS Authorized Baggage.** Allowances outlined below are totals, with excess baggage being the difference between that permitted by the transportation carrier and the total allowance. These allowances apply for the portion of the travel costs payable from US funds. Baggage sizes and dimensions are to conform to carrier stipulations.

1. Two pieces of checked baggage, not to exceed 70 pounds each, are authorized for IMS training of less than 22 weeks duration.

2. Three pieces of checked baggage, not to exceed 70 pounds each, are authorized when training is at least 22 weeks but less than 40 weeks duration. One piece of excess baggage is authorized.

3. Four pieces of checked baggage, not to exceed 70 pounds each, are authorized for IMS when training is 40 weeks duration or longer. Two pieces of excess baggage are authorized.

4. In addition to the allowances in 1 through 3 above, one additional piece of luggage is allowed for students, with authorized accompanying dependents, attending the PME and postgraduate programs listed in Table 1001-2, Note (4), and for students attending flight training.

5. Where US and foreign flag carriers differ in free baggage allowance, or baggage is authorized beyond 140 pounds, transportation officers will issue Government Excess Baggage Authorization Ticket (GEBAT) or equivalent to cover the difference up to the free allowable amount of the US flag carrier(s) and also any authorized excess baggage allowance.

B. IMS Unauthorized Baggage. Shipment of baggage in excess of the weight allowance contained in subparagraph A. above is not authorized. Disposition of unauthorized baggage will be made at the expense of the student or the student's government. Commanding officers of the training or administrative installation should ensure that unauthorized baggage is shipped at the student's expense prior to his departure from the installation. Students reporting to ports of departure with unauthorized baggage will be requested to forward the unauthorized baggage by commercial means at their expense. If lack of time prohibits this, unauthorized baggage will be taken into custody by the traffic representative, and the student will be given a receipt for the baggage. The student will remain on the scheduled flight or carrier. After departure of the carrier, the traffic representative will deliver the unauthorized baggage to the nearest appropriate foreign consulate.

C. Guest Instructors at SCIATTS. Costs incidental to the use of international guest instructors at SCIATTS are to be included in the fixed operating budget and not included in course tuition costs. These costs include travel of guest instructors and their authorized dependents, and shipment of household goods and living allowance in accordance with Table 1001-2. Shipment of household goods from the Panama Canal area to home country is authorized for Latin American guest instructors who have completed a tour of duty at SCIATTS. The net weight allowance is 2000 pounds for married guest instructors and 200 pounds for single guest instructors. In addition to net weights listed above, weight allowances are authorized for crating and packing materials on the same basis as for US military personnel and in accordance with the JTR. Shipment of household goods in excess of authorized net weight will be at the expense of the guest instructor or his government. Shipment will be by surface common carrier. Air freight may be used only when surface common carrier is not available.

100114 MEDICAL COSTS. A factor of \$50 per student training line (exclusive of orientation) is authorized for programing purposes under generic code NZE (MASL IIN 365003/365004) for medical treatment in USG facilities for IMET students. Charges for medical care do not apply if the IMS is covered under a reciprocal health care agreement between the US and the IMS's country. Health care agreements exist as follows:

<u>Country</u>	<u>Eff Date</u>	<u>Expires</u>	<u>Dependents</u>	<u>Civilians</u>	<u>FMS</u>	<u>IMET</u>	
Bolivia	9-13-94	9-12-97	Yes	No	No	No	*
Canada	5-3-93	5-3-96	No	No	No	N/A	
Colombia	4-9-92	4-8-96	Yes	No	Yes	Yes	*
Ecuador	1-25-92	1-27-96	Yes	No	No	No	*
El Salvador	2-7-92	2-6-96	Yes	No	Yes	Yes	*
Germany	7-8-92	7-8-97	Yes	Yes	Yes	Yes	
Guatemala	4-24-94	4-23-97	Yes	No	No	No	*
Romania	4-26-95	4-25-98	Yes	No	No	No	*
Tunisia	10-13-93	10-13-96	Yes	No	Yes	Yes	
Uruguay	8-2-94	8-2-97	Yes	No	Yes	Yes	
Venezuela	9-22-94	9-21-97	Yes*	No	Yes	No	*

*Dependents covered of all students regardless of funding source.

When such an agreement exists, check item 16b(3) in the ITO and add the following statement in item 13: "Medical care is provided under [reference the agreement, date, etc]. Reimbursement for services provided is not required." Note that agreements may not cover certain categories (such as civilian IMS or IMS dependents) and are normally applicable only for medical care in DoD facilities; therefore, if a training installation does not have a DoD medical facility, the terms of the agreement do not apply and the program should be charged accordingly. Funds for burial expense or other student support costs will be programed under generic code N7F on a case-by-case basis only after DSAA approval.

100115 ASSIGNMENT OF BUDGET YEAR PRIORITY CODES. SAOs will assign priority code A for their Budget Year program using the Budget Year level at the annual TPMRs. In addition, SAOs should assign priority code D to other valid training requirements in excess of the budget level and to take place not earlier than the fourth quarter. Valid training priority coded D is defined as training in keeping with IMET policies and objectives, that IAs can accommodate, for which the host country can provide qualified candidates and which has a dollar value that the SAO can reasonably expect to receive in mid-year or end-of-year if funds are available. In most cases, this should not exceed approximately ten percent of the budget level. SAOs should code all training lines in a WCN series to reflect the code of the program line with the highest priority within that series.

100116 TRAINING ANALYSIS CODES. These codes enable the training community to match country requirements with policy considerations, particularly in the preparation of two-year training plans and training AIASAs. A complete listing of all Training Analysis Codes is at Table 1001-3. The nine primary analysis code categories are:

<u>Category</u>	<u>Description</u>
PME	Officer Professional Military Education
MGT	Officer Management
PGS	Officer Postgraduate or Degree Related Training
UPT/FLT	Undergraduate Pilot and Other Flight Training
TECH	Technical, Operations, Maintenance, Medical, and Enlisted Training
OT	Orientation Tours
OCONUS	OCONUS Student Training
TEAMS	Mobile Training Teams and Field Training Services
SUPPORT	English Language Equipment, Materials, PCH&T, Medical Lines, and other Training Support

100117 STANDARDIZED WCNS. SAOs and IAs will assign standardized WCNS for IMET training lines in accordance with Table 1001-4.

100118 FIFTH QUARTER TRAINING.

A. **Fund Availability.** Funds are made available for training under "Fiscal Limitation" .001, which identifies funds requiring obligation within the fiscal year for which appropriated. As a means of increasing course scheduling flexibility for IMET, training commencing between 1 October and 31 December may be programed in either the preceding or current fiscal year program, thus providing a "fifth quarter" in which to implement training in a given fiscal year. Training having fifth quarter availability will be programed with a "5" in column 70. All training will be priced at prices of the fiscal year in which training convenes.

B. **Obligation of Funds.** When fifth quarter training is programmed in the preceding year, funds must be obligated by 30 September of that year. Training in courses commencing between 1 January and 30 September must be included in the program of the fiscal year in which it commences. Particular problems should be referred to DSAA-Plans for resolution.

C. **Restrictions.** Fifth quarter programing applies to IMET training courses only, and may not be used for orientation training, MTTs, or other training materials or services.

100119 IMPLEMENTATION. Program implementation and the movement of students to training facilities and activities is authorized only after program directives are issued by DSAA to the IAs. Such directives are required prior to the issuance of ITOs or the obligation of funds for programed training.

100120 FUNDING AND FINANCIAL CONSIDERATIONS.

A. IMET Programing Instructions.

1. **Formal Training. US (Generic Codes N1A-N1J).** Formal training is programed under generic codes N1A-N1J, see Table D-7. Two elements of cost are involved in determining the Total Cost for students who will train at US facilities. These cost elements are the IMET Unit Price and TLA. Each of the elements is computed on a per student space basis. The Total Cost is obtained by multiplying the sum of the IMET Unit Price and the TLA by the Quantity (number of personnel spaces); i.e., $(\text{IMET Unit Price} + \text{TLA}) \times \text{Quantity} = \text{Total Cost}$.

a. **IMET Unit Price.** The course cost, where listed in the IMET MASL, will be entered as the IMET Unit Price. Where the MASL indicates "N/C" (no charge), no charge is made for the training. Where the MASL indicates "EST" (Estimate), a unit price estimate is to be made by the program originator. A number of variables normally are related to unit price determination, such as the number of personnel spaces or the length of the OJT. The basis for estimating the Unit Price will be provided in supplementary guidance furnished by the IA.

b. **IMET Travel and Living Allowance.** The unit (per student space) TLA cost is comprised of transportation, excess baggage allowance, travel allowances while in a travel status, and living allowance while in a training status.

(1) Where the first training destination in the US is known at the time of programing or can be provided by the IA at or prior to the annual training workshop, travel costs will be calculated in accordance with paragraphs b.(1) and (2), below; otherwise, a composite travel cost factor provided by IAs in their supplementary guidance may be used.

(2) Travel includes the cost of transportation to and from the US, within the US, and baggage and living allowances during travel unless the country declines the IMET living allowance, in which case no living allowance is authorized. Transportation by military or commercial aircraft (when authorized), ship, bus, rail, or other conveyance will be paid when the US provides the transportation, as indicated in Paragraph 100111. The following specific guidance is provided for calculating travel costs to, from, and within the US. To the maximum extent possible, US flag carriers should be used.

(a) Round trip travel between the embarkation point in the recipient country and the gateway terminal (POD) in the US will be programed for all students, unless otherwise directed.

(b) Round trip travel between the gateway terminus and the city nearest the training facility at which the initial training is to be conducted will be programed for all students, unless otherwise directed. When the first destination is not known, an estimated cost will be added to cover the round trip travel, baggage, and living allowance while in a travel status. In all cases, students are required to travel over the most direct and least cost route.

(3) A living allowance will be programed for all students in a training status, unless otherwise directed, as indicated in Paragraph 100112.

c. **Orientation Tours.** The TLA should be computed as the composite cost of living allowances, transportation based on itinerary, and up to 100 pounds of excess baggage. An escort officer may be programed for orientation tours; IAs will determine costs of escort officers and program as unit cost. A factor of \$100 per person week will be used to cover TLA in the overseas area where any CONUS tour is being conducted; the \$100. will be added to the cost of the round trip travel. These procedures do not apply to OBT, which will be costed as described above.

2. **Formal Training Overseas (O/S) (Generic Codes N1N - N1W).** The same two cost elements described in paragraph 1 (IMET unit price and TLA), are involved in determining the total cost entry for students who will train at overseas facilities. The course cost shown in the IMET MASL will be entered as the Unit Price. TLA factors for overseas training also differ from US training and are described below, by Command.

a. **US European and Pacific Commands.** Travel costs for courses subsequent to the original course will not be included; however, \$50 per trainee will be added to travel (including living allowance during travel) for courses which follow the initial course and are conducted at a different location. If training is conducted at a location other than within the home country, the programing factor for living allowance while in training status will be computed at the applicable JTR rates. In some cases, students have a waiting period before entering a follow-on course. The living allowance is authorized for the waiting period, and will be included in the TLA for the follow-on course. In scheduling training, every effort should be made to shorten the period between courses.

b. **US Southern Command.** The programing factor for living allowances for students while in training status SCIATTS will be computed at the rate of \$17 per day for officers and \$16 per day for enlisted personnel. Not all is paid to each student (see Table 1001-2). Panamanian students attending SCIATTS or other training conducted in the Republic of Panama will be paid living allowances for periods of training only if they reside in quarters provided by the USG. Living allowances will be paid in the same manner for OJT or OBT.

B. **Other Training Support.** Budget project N70 provides funds for US military guest officers, supplies and materials used exclusively for IMET (excluding training aids), and student support costs.

1. **Costs of Facilities Used for Both IMET and FMS Training.** Costs related to constructing, extending, refurbishing, or maintaining US training facilities used for IMET and FMS training will be shared between the IMET and FMS customer countries on a pro rata basis. Such costs should be financed initially by the IA and the course costs charged for training at these facilities will be adjusted to provide reimbursement to the IA appropriation at a reasonable rate so as not to impact adversely upon IMS attendance at the training installation.

2. **Supplies and Training Materials (Generic N7C).** Costs of training materials (excluding training aids) may be financed when authorized by DSAA. When requirements in these areas exist, supporting documentation will be provided through the appropriate UCOM to DSAA for approval prior to programing. When third country training requirements exist for supplies and training materials (N7C) and services (N7E), the SAO will submit to DSAA a request for offshore procurement certification in accordance with DODD 2125.1, with information copies to the IA and UCOM.

C. **Cross Training, Sequence, or Prerequisite Training.** Cross training, sequence training, or prerequisite training is training following an initial course of instruction or preceding a course of instruction (prerequisite), without the student returning to home country between courses. If cross training is programed, the letter "A" will be entered as the WCN suffix for the initial course, the letter "B" will be entered for the second course, the letter "C" for the third course, and so on in alphabetic sequence. When English language is programed as a prerequisite course, the WCN suffix will be the letter "L", and the courses following will have WCN suffixes A, B, C, etc. Each course will be costed separately. The initial training course will be charged with the round trip transoceanic travel costs and the round trip CONUS costs from US port of entry to the first training location and from the last training location to US port of exit. For sequential training conducted at another location, the best estimate of transportation costs will be programed. The living allowance while in a training status will be costed separately for each course in accordance with this section.

D. **Initial Funding of Current Year Training Program.** As soon as the apportionment of IMET Program funds is received from OMB and passed from DSAA to the IAs, IAs will fund priority code A training lines within the apportioned allocation level. SAOs should ensure that priority codes are appropriately adjusted so that the total of all priority A training lines equals the allocation level. Adjustment of prioritization will be required if the apportionment level is different than the budget request level.

E. **Additions or Increases to Current Year Program.** If subsequent changes will cause the funded program to exceed the country allocation level, the SAO should simultaneously (1) submit deletions of funded lines sufficient to offset requested funding and/or (2) forward programing to lower the priority codes of selected funded lines to D. In the latter case, DSAA will withdraw funding of those lines and they will remain in program in an unfunded status.

F. **Cancellation or Termination - Penalty Charge.** In the event cancellation or rescheduling is requested less than 60 days prior to the scheduled start date, the country's IMET program or FMS case will be charged 50% (100% of contract training cost) of the tuition rate. The country will also be charged a proportionate share of the tuition rate for trainees not completing a course of instruction. IAs will assess late cancellation charges for all DLIELC training lines that are canceled within the 60-day period. All other penalty charges will be determined by IAs and requests for waivers to these penalty charges should be addressed to the IA. The funding status of a training line has no bearing on whether the cancellation charge applies. The cancellation penalty will not be applied when the cancellation (a) is due to decisions by the US, such as deletion or rescheduling of classes; (b) is due to unavoidable circumstances within country, such as national disaster; or (c) quota is used by the US or another country. These charges are to be programed for applicable courses, and will be earmarked by an "S" in column 65 to indicate that a penalty fee was charged for the training line.

G. **Impact of FAA Sec 620(q) and Brooke Amendment on IMET Funds.**

1. **FAA Sec 620(q).** No assistance shall be furnished under this Act to any country which is in default, during a period in excess of six calendar months, in payment to the US of principal or interest on any loan made to such country under this Act, unless such country meets its obligations under the loan or unless the President determines that assistance to such country is in the national interest and notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate of such determination.

2. **Brooke Amendment (Foreign Assistance and Related Programs Appropriations Act or Continuing Resolution).** No part of any appropriation in this Act shall be used to furnish assistance to any country which is in default during a period in excess of

one calendar year in payment to the US of principal or interest on any loan made to such country by the US pursuant to a program for which funds are appropriated under this Act.

3. **Sanctions.** Sec 620(q) sanctions are triggered by arrearages of more than six calendar months on ESF or other AID-financed loans when DoS advises DSAA that no waiver of sanctions is being considered. Utilization of FMS credit funds are not impacted by Sec 620(q). Sanctions under the Brooke Amendment are triggered by arrearages of more than one calendar year on FMS credit (direct or guaranteed) funds or AID-financed loans. The impacts on utilization of IMET funds under both Sec 620(q) and the Brooke Amendment sanctions are identical:

a. New IMET students may not travel for initiation of training. IMET students outside their countries of origin whose course of study or training program began before the effective date of the sanctions may complete such courses, including already funded sequential courses; however, no additional sequential courses may be added on or after the effective date of the sanctions. IMET students outside their countries of origin whose course of study or training program did not begin before the effective date of the sanctions should normally be returned to their home country as soon as possible. For the purposes of the Brooke Amendment, an IMET-funded course is deemed to begin on the report date specified in the Standardized Training Listing (STL). If sanctions are lifted, these students will be considered for late admittance or admittance to the next available course of study or training program.

b. IMET funded MTTs and LTDs may not be dispatched or extended beyond their scheduled termination date.

c. IMET funded training aids may not be issued from supply nor placed on contract by the supplying agency.

	Officer [And Civilian Equivalents]	Enlisted(1)
In Travel Status, Including Unscheduled Delays(2).	Various	Various
In Training Status:		
Dependents Authorized (3)(4)(5)(6)(14)	\$50	N/A
Neither Quarters Nor Mess Available	50	\$50
Orientation Tour Participants (7)	34	N/A
Mess Available, Quarters Not (8)	34	28
Quarters Available, Mess Not (8)	30	25
Both Quarters and Mess Available (6)		
(7)(8)(9)(11)(13)(15)	21	11
Both Quarters and Mess Available, Officers Charged for Mess (Aboard Ship)	15	N/A
Both Quarters and Mess Available, Free of Charge (Aboard Ship)	11	11
In Military Hospital (10)	11	11
On Leave (11)	Various	Various

NOTES:

- (1) Not applicable to enlisted IMS attending training at SCIATTS.
- (2) When IMET pays TLA, travel allowance rate is authorized to include the day of departure from home country to the day of arrival at, and day of departure from, each training installation, and the day of arrival at home country. Rates on travel status, including unscheduled delays, are based on rates equal to those in the JTR for US personnel.
- (3) An additional \$5 per day is authorized for accompanied IMS attending senior level PME courses as follows: Army Command and General Staff College, Army War College, and National Defense University; Air Force Command and Staff College and Air War College; Naval Staff College and Naval Command College; USMC Command and Staff College and Armed Forces Staff College; and SOA Command and Staff College.
- (4) This rate is authorized only for accompanied IMS attending the following courses designated by the MILDEPs: Army Command and General Staff College, Army War College, and National Defense University; Air Force Squadron Officer School, Air Force Command and Staff College, Air War College, and Air Force Institute of Technology; Naval Staff College, Naval Command College, and Naval Postgraduate School; USMC Command and Staff College, USMC Amphibious Warfare School, and Armed Forces Staff College; and SOA Command and Staff College. This rate is also authorized for prerequisite courses, follow-on courses, and authorized leave periods. This rate is applicable regardless of availability of quarters and is payable whether IMS lives on or off post.
- (5) Increased allowances are only authorized when prior DSAA approval has been obtained and Item 15 of the ITO has been annotated with that approval. The following increases are authorized: Accompanied students living offpost at the Army War College and the Air War College are authorized \$80 a day; accompanied students living offpost at the Navy Command College are authorized \$90 a day; accompanied students living offpost at the National Defense University are authorized \$100 a day. Students are not authorized these rates at DLIELC, prerequisite courses, follow-on courses, or during authorized leave periods upon completion of training.

Table 1001-2. Daily Supplemental Living Allowances for IMET Students (Page 1 of 2)

- (6) Accompanied students living offpost attending courses where dependents are authorized may draw a living allowance advance upon arrival in CONUS of an amount up to but not to exceed ten percent of their total living allowance authorized at a particular location. The student living allowance drawn during the period of training will be adjusted to ensure that the amount of the advance is fully recovered before the student completes training at the location.
- (7) Meal allowance only. Cost of quarters to be paid from programed funds by Class A agent/cashier escort officer.
- (8) In overseas areas, including Hawaii, where USG quarters and mess are not available, the rates authorized are equal to those authorized for US personnel in the JTR. "Quarters Available" means that USG quarters were either furnished or made available. "Mess Available" means three meals per day were available in a USG mess, whether or not actually consumed. USG mess excludes open mess and is not considered available to officer IMS except where separate messing facilities are available. IMS not authorized a USG living allowance will pay for their meals. Meals taken in other food service facilities will be paid for by the IMS at the menu rates.
- (9) Enlisted students from countries that participate in partial cost-sharing of living allowances who are not entitled to meal cards may receive a living allowance greater than \$9. A higher rate is authorized as long as the programed rate is less than the \$9 plus the daily cost of mess hall meals. When the programed rate reaches or exceeds the \$9 plus the cost of meals, students will be issued meal cards and will be paid \$9 per day.
- (10) When an officer IMS is authorized an increased living allowance for accompanying dependents and is subsequently hospitalized, an increased living allowance (\$50) shall apply * during the period of hospitalization, rather than the reduced rate specified herein.
- (11) Living allowance for leave periods following termination of training is not authorized. Leave with living allowances may be granted during periods of class breaks, authorized holidays, between consecutive courses, and delays at a port while awaiting transportation at the rate that is appropriate to the training status.
- (12) Guest instructors assigned to SOA will be paid a living allowance based upon the installation's BOQ rates by grade and a standard subsistence allowance regardless of rank.
- (13) The rate of IMET living allowance for guest instructors at SCIATTTS and IAAFA will be the * minimum necessary consonant with the person's grade and position as determined by the IA.
- (14) Foreign enlisted students are not authorized accompanied dependents except for those attending the US Army Sergeants Major Academy (SMA). The authorized living allowance for accompanied IMS at the SMA is \$45 per day.
- (15) In addition to the \$11 the enlisted IMS will receive directly, the IA will program additional funds to include reimbursement for meals and billeting fees. The programing figure will vary depending on type of government quarters available.

Table 1001-2. Daily Supplemental Living Allowances for IMET Students (Page 2 of 2)

objectives are obscure. Visits to large metropolitan centers which do not directly relate to OT objectives should be avoided.

3. **Approval of Exceptions.** Requests for OTs will be forwarded to the UCOM and DSAA (IMET) and the IA with supporting rationale and justification for approval prior to any proposal to country officials which could be construed as an agreement to provide a tour.

4. **Official Entertainment.** Official entertainment in connection with OTs (luncheons, dinners, receptions) should be in keeping with the grade and position of tour participants. Protocol activities of this nature should be arranged on an austere basis. Activities which could be interpreted as lavish should be avoided.

5. **Size of Tour Groups.** Large group OTs are discouraged. Experience indicates that OTs for large groups are difficult to manage and usually result in a bland experience for the majority of participants, at a disproportionate cost. In addition, since OTs are expensive in terms of both service support resources and IMET funds, the number of personnel comprising OTs should be kept to a minimum, generally no more than five persons excluding escort officer(s). Other than the escort officer(s), tour members must have a direct relationship with the purpose for which the tour was established.

6. **Assignment of Executive Agency and Escort Officers.** An executive agency is assigned to conduct and provide escort officers for OTs in CONUS. The executive agency is the DoD component having primary interest in the tour, or the component selected by DSAA as executive agency to implement a specific tour. Every effort will be made to provide escort officers fluent in the language of the tour participants when lack of English fluency of the participants makes a language qualified escort essential to tour objectives. Normally, an SAO representative should not be used as escort officer for IMET OTs. However, in exceptional cases and with prior approval of DSAA, the executive agency may consider an SAO representative to serve as an escort officer when justified; e.g., because of special qualifications, workload, unusual rapport with key host country personnel, and associated projects or contacts which might be exploited. The SAO representative selected as an escort officer will be under the complete jurisdiction of the executive agency and will remain with the tour at all times until the tour participants return to host country. TDY travel and per diem costs for the escort officer for the duration of the tour are chargeable to IMET funds, and will be programed as a separate line in the country program under budget project N70. US personnel other than bona fide escort officers designated or agreed to by the executive agency for tour implementation are not authorized to accompany tour groups. A factor of \$800 per person week is authorized for programing (N7B) when escort officer services are required in connection with OTs. The dollar value of escort officers is programed in the TLA data field.

7. **Responsibilities for Tour.** While every effort will be made to meet SAO ** recommendations, the final tour agenda and itinerary will be the responsibility of the tour IA and DSAA Plans. The IA is required to clear all itineraries with DSAA Plans prior to the release of the proposed agenda to the country team. Additionally, all changes to the approved itinerary must be approved by DSAA Plans prior to publication.

8. **Leave for Participants.** When authorized in student ITO, leave may be taken by tour participants at the conclusion of an OT at no additional expense to IMET.

100308 RECIPROCAL EXCHANGE TRAINING. This section provides general guidance for the conduct of reciprocal PME and unit exchanges. Detailed implementing instructions are provided in the JSAT Regulation and other IA instructions.

A. **PME Exchange Training.** FAA Sec 544 authorizes reciprocal exchanges between US PME institutions and comparable non-US institutions. Institutions specifically included are the US military service Command and Staff Colleges, Armed Forces Staff College, and US MILDEP War Colleges. Attendance at these institutions is to be at no charge to the country concerned but also at no expense to SA programs. PME exchanges must be pursuant to an international agreement which provides for the exchange of students on a one-for-one reciprocal basis during the same fiscal year. The JSAT Regulation provides the prescribed international MOA to be used for this purpose. PME exchange requests will be forwarded to the appropriate IA for action and for information to DSAA/Plans/PGM.

B. **Unit Exchange Training and Related Support.** AECA Sec 30A authorizes reciprocal unit exchanges and related support. The related reciprocal training and support must be pursuant to an international agreement and be provided within one year. Should the foreign country or international organization not provide comparable training and support, the US must be reimbursed for the full costs of training and support provided by the US. The JSAT Regulation provides detailed implementing instructions, to include the prescribed international MOA to be used for this purpose. Requests for unit exchanges will be forwarded to the appropriate MILDEP for action and for information to DSAA/Plans/PGM. Pricing guidelines and conversion to reimbursable training when reciprocal training or related support is not provided or not received, is included in DoDI 2010.11, Unit Exchanges of Training and Related Support Between the US and Foreign Countries--Financial Policy.

C. **Reports.** By 1 December each year, the MILDEPs will provide the RCS DD-COMP(A) 1789 (see DoDI 2010.11) report for unit exchanges conducted during the preceding US fiscal year. The report will be provided to the OASD Comptroller (Accounting Policy), with an information copy to DSAA/Plans/PGM.

SECTION 1101 - USE AND DISPOSAL OF MAP MATERIEL

110101 GENERAL. This section provides guidance concerning materiel furnished under the FAA of 1961, as amended. This presently includes materiel furnished under MAP Orders prior to FY82; FAA Sec 506(a) emergency drawdown authority and similar grant DoD drawdown authorities not authorized in the FAA; and FAA Secs 516, 517, 518, or 519 (see SAMM section 803). It does not apply to materiel purchased as a result of transfer of MAP funds to the FMS trust fund (see Section 1100). "Disposal" as discussed in this section means altering disposition so the foreign holder is no longer responsible for the item. This can occur through demilitarization or, for items not requiring demilitarization, through fair wear and tear or other destruction and qualified technical inspection which verifies the item is unserviceable and non-repairable. It can also include transfer, with military capabilities retained, to other authorized recipients.

110102 LEGAL LIMITATIONS AND RELATED POLICY PROVISIONS.

A. **End Use.** DSAA, the UCOM, or the SAO do not have the authority to consent on behalf of the President either (1) to the use of MAP materiel by anyone not an officer, employee, or agent of the recipient government, or to the transfer of such materiel to anyone not an officer, employee, or agent of the recipient government, or to the use of such materiel for purposes other than those for which furnished as identified in FAA Sec 502, or (2) to other disposition (such as retention solely for public display) of such materiel other than the return to the USG without charge when no longer needed for the purposes for which furnished. Controlled use of components (cannibalization) is an authorized use for these items. These two Presidential functions under Sec 505(a)(1) and Sec 505(a)(4) have been delegated to the Secretary of State by Sec 1-201(a)(5) of Executive Order No. 12163.

B. **Disposal and Net Proceeds.**

1. FAA Sec 505(f) provides: "Effective July 1, 1974, no defense article shall be furnished to any country on a grant basis unless such country shall have agreed that the net proceeds of sale received by such country in disposing of any weapon, weapons system, munition, aircraft, military boat, military vessel, or other implement of war received under this chapter will be paid to the USG and shall be available to pay all official costs of the USG payable in the currency of that country, including all costs relating to the financing of international educational and cultural exchange activities in which that country participates under the programs authorized by the Mutual Education Cultural Exchange Act of 1961. In the case of items which were delivered prior to 1985, the President may waive the requirement that such net proceeds be paid to the USG if he determines that to do so is in the national interest of the US." Authority to grant these waivers has been delegated to the Secretary of State.

a. FAA Sec 505(f) applies to disposals of MAP origin defense articles by countries which were the recipients of grant aid materiel after 1 July 1974. A 505(f) agreement, which constitutes a condition of eligibility for recipients of grant defense articles programmed in FY75 and subsequently, was concluded with those countries.

b. A Sec 505(f) agreement is not legally required for countries where no grant defense articles were programmed after 30 June 1974. Nevertheless, US policy is to require (unless contrary to an agreement in force on 30 June 1974) a recipient country commitment to return to USG the net proceeds of sale whenever country disposal of MAP property is requested.

2. FAA Sec 605(d) provides: "Funds realized by the USG from the sale, transfer, or disposal of defense articles returned to the USG by a recipient country or international organization as no longer needed for the purpose for which furnished shall be credited to the respective

appropriation, fund or account used to procure such defense articles or to the appropriation, fund, or account currently available for the same general purposes.”

3. Any net proceeds from disposal will be reimbursed in US dollars except where government-to-government arrangements, with DoS representing the USG, specify otherwise. “Net proceeds” means the balance of the gross proceeds of sale after reasonable administrative costs of the sale are deducted.

C. **Supervision.** FAA Sec 623 shows SecDef responsibilities, including [Sec 623(a)(3)] responsibility for “the supervision of end-item use by the recipient countries.”

110103 SAO ACTION.

A. **MAP Item Supervision.** In order to meet the requirement shown in 110102.C above, each SAO must work with the country to ensure that a sound process exists for accountability, including technical inspection and disposal, of US-origin defense articles.

1. The SAO should ensure the country property accountability process specifically identifies aircraft, ships, radars, armored vehicles, general purpose vehicles, artillery, mortars, and missiles, including non-consumable/reparable components of those items, which were acquired under the FAA of 1961, as amended. Utilization reporting for these items (to DSAA, with an information copy to the UCOM) is required if information is obtained which indicates use contrary to 110102.A above.

2. Noting the presence and utilization of US origin equipment should be done during the course of other duties. End-use inspection or FAA materiel-related functions will not justify SAO budget or personnel authorizations. Note that end-use observation and reporting extends to items of US origin acquired other than under the FAA, although only monitorship as discussed in Section 30002.C.11, not supervision as discussed in this section, is required for those items. *

B. **Excess Determinations.** SAOs should encourage the country to declare MAP materiel excess when it is no longer needed and before items deteriorate. Items which are redistributed to defense forces within the country are not excess under this section.

1. When MAP materiel is determined to be excess, the SAO will ascertain its condition based, to the extent possible, on total or sample inspection, as appropriate, by qualified US personnel. When this is not feasible, classification by foreign government authorities may be accepted.

2. Disposal condition codes in DoD 4160.21-M will be used for turn-in to DRMO or to obtain DoS disposal approval. Condition Code S (scrap) consumable items not requiring demilitarization or other special controls are no longer defense articles and may be disposed of without further US approval.

C. **Screening.** SAOs will report, to the managing MILDEP’s ILCO with an information copy to the UCOM, the items listed in 110103.A.1 above which are excess and meet the following criteria:

1. Have a line item acquisition value of \$50,000 or more.

2. In disposal Condition Codes 1 and 2 (unused-good and fair), 4 and 5 (used-good and fair), and 7 and 8 (repairs required-good and fair).

TABLE OF CONTENTS

CHAPTER TWELVE

LEASES AND LOANS OF DEFENSE ARTICLES

	Page	
Section 1200 - Leases	1200-1	
120001 Authority and Purpose	1200-1	**
120002 Lease Terms and Conditions	1200-2	**
120003 Coordination	1200-3	**
120004 Congressional Notification	1200-3	**
120005 Financial Arrangements	1200-4	
120006 Lease Closure	1200-5	
120007 Reporting	1200-5	
120008 US Navy Ships	1200-5	
Table 1200-1 - Determination Regarding Lease of Articles Pursuant to AECA, Chapter 6.	1200-6	*
Table 1200-2 - Memorandum for the Director, DSAA	1200-7	*
Table 1200-3 - Sample Lease	1200-8	*
Table 1200-4 - Memorandum for the Director for Operations, DSAA	1200-14	*
Table 1200-5 - Transmittal-Notice of Proposed Lease	1200-15	*
Table 1200-6 - Letter to Speaker of the House	1200-16	*
Table 1200-7 - Letter to Chairman, Committee on Foreign Relations	1200-17	*
Table 1200-8 - Letter to Chairman, Committee on Armed Forces	1200-18	*
Table 1200-9 - Letter to Prospective Lessee Advising Lessee of Congressional Notification of a Lease Over One year	1200-19	*
Table 1200-10 - Letter Advising Lessee of Congressional Notification of Lease for MDE Over One Year	1200-20	*
Table 1200-11 - RCS: DSAA(Q)1146	1200-21	*
Table 1200-12 - Certificate of Delivery	1200-22	*
Table 1200-13 - Lease Closure Information	1200-23	*
Table 1200-14 - Sample Lease Amendment	1200-24	**
Section 1201 - Loans of Defense Articles	1201-1	**
120101 Section 503 Loans	1201-1	
120102 Loans for Research and Development Purposes	1201-1	

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CHAPTER 12

LEASES AND LOANS OF DEFENSE ARTICLES

SECTION 1200 - LEASES

120001 AUTHORITY AND PURPOSE

**

A. **Use of Leases.** DoD normally makes defense articles available to foreign governments and international organizations by FMS under the AECA. Leases may be authorized under AECA Chap 6 when it is determined that there are compelling foreign policy and national security reasons for providing such articles on a lease, rather than a sales, basis and the articles are not for the time needed for public use. Typical leases might provide a defense article for a short period for testing purposes to assist in determining whether to procure the article, or may allow the USG to respond to an urgent foreign requirement when the item must be returned to inventory after a specified term. Leases or loans to foreign countries or international organizations under Title 10, USC 2667 are not authorized.

B. **DoD Approval.** The Director, DSAA, must approve entry into a Chap 6 lease. IAs will obtain DSAA concurrence before indicating to a potential lessee that a lease is an available option. The IA will provide a Table 1200-1 Determination under the cover memorandum at Table 1200-2, for DSAA signature when the draft lease is provided to DSAA for coordination and countersignature. Detailed rationale must be provided for any proposed lease, including reason(s) for lease rather than sale.

C. **Administration.**

1. **DoD Implementing Agency Responsibility.** The administration of leases is delegated to the IA logistically responsible for the defense article(s) being leased. This responsibility includes: Preparing the lease; providing data for Congressional notifications; maintaining the lease through its effective period; maintaining a record of all items; including associated tools, GSE, and other material to be recovered at the end of the lease period; ensuring monitorship of the defense articles during the period of the lease; advising DSAA of non-compliance by the lessee; ensuring that the lease is properly terminated, extended, or revised; ensuring that the appropriate rental payment schedule is maintained; ensuring that all related costs are recovered under FMS procedures; and ensuring that the leased material is returned by the lessee and restored to its original condition, in accordance with the terms of the lease. Within the IA, a specific individual or activity will be assigned the responsibility for administering the lease during the lease period, for reporting to DSAA, and for ensuring proper disposition of the defense article(s) upon expiration or termination of the lease.

2. **SAO Responsibilities.** The US SAO in the host country will be provided a copy of each lease entered into with the host government, and will assist IAs in the direct monitorship of the use of USG-owned equipment in the host country. To the best of its ability, and within the access authorized by the host country, the SAO will observe and report on the use of the US-owned equipment to ensure that it is consistent with the terms and conditions of the lease. Any indications of unauthorized use or non-compliance will be reported to the IA and DSAA/OPS-MGT.

120002 LEASE TERMS AND CONDITIONS

**

A. **Lease Format.** The lease format at Table 1200-3 may not be altered unless special circumstances require a case-specific exception. Additional provisions may be added to a lease when determined to be appropriate and with concurrence of the legal office of the IA and with DSAA approval. Variations, with rationale, will be included in the forwarding memorandum at Table 1200-2. The lease will not be provided on an LOA, but the LOA will be used for packing, crating, handling, transportation, and sale of associated articles and services, including refurbishment of the defense article(s) required prior to, during, or after the lease period. The LOA will also be used to recover applicable costs if the article is lost or destroyed during the lease period. The lease will be signed by the IA and provided to DSAA/OPS-MGT for staffing and countersignature by DSAA prior to signature by the foreign country representative.

B. **Lease Identification.** The IA will assign a designator, unique to the country and IA, to each lease. The designator will be constructed to differentiate the lease from FMS cases, as follows: Country Code—IA Identification—Tri-alpha Identifier. This lease designator will be shown on the top of each lease page, including schedules, appendices, and accompanying documents. The associated FMS case must reference the lease designator.

C. **Duration.**

1. **Not to Exceed Five Years.** Leases shall be for a fixed time not to exceed five years and shall provide that, at any time during the leasing period, the USG may terminate the lease and require the immediate return of the defense article(s). Leases of less than five years may be extended via amendment but the total period under a specific lease may not exceed five years. Subject to receipt of any initial deposit required, the period will begin on the date shown at the beginning of the lease, unless the period is otherwise specified within the terms and conditions.

2. **Amendments.** Lease amendments (Table 1200-14) may be used to renew or change existing leases. Each amendment will include the original lease designator, and will undergo the same staffing process as the original. As with original leases, the cover memorandum at Table 1200-2 shall be included when the draft lease amendment is provided to DSAA for coordination and countersignature.

a. Renewals will require the IA to submit a lease amendment and Determination to DSAA for staffing and signature. For those renewals which meet the one year Congressional reporting requirement, the IA will also provide to DSAA reporting data, in the format at Table 1200-4, at least 60 days prior to the projected date for providing the lease renewal to the foreign country or international organization.

b. Changes to existing leases are also authorized, such as changes to payment schedules, to Schedule A items, or to periods of performance. The same procedures as those outlined for renewals apply.

D. **Loss, Destruction, or Damage.** Lease terms will also require the lessee to pay the cost of restoration or replacement, less any value depreciation during the period of the lease, if the articles are damaged, lost, or destroyed while leased. Such costs will be recouped under an FMS transaction. The replacement cost will be specified as a fixed sum in the lease agreement and will normally be developed based on the same considerations as payment in Paragraph E, below.

E. **Rental Payment.** The lessee must pay in US dollars all costs incurred by the USG in leasing defense articles, including reimbursement for depreciation while leased (the rental payment). The charge for depreciation will be based on the current contract price for an identical

item or item acquisition cost (if known), adjusted as appropriate for condition and market value. Pending further notice, an administrative charge will not be applied to rental payments.

F. **Certificate of Delivery.** DSAA or the IA may require a certificate (Table 1200-12) of delivery when an item is transferred to the foreign customer.

G. **Exceptions.** The provisions of Paragraphs 120002.D. and E. above shall not necessarily apply to leases entered into for purposes of cooperative research or development, military exercises, communications or electronics interface projects, or to any defense article which has passed three quarters of its normal service life. Where an IA recommends application of an authorized exception, express authority will be requested from DSAA, identifying the exception.

120003 COORDINATION

**

A. **DSAA Coordination Responsibilities.** The IA will prepare and forward the proposed lease, together with the proposed Determination, using the cover memorandum format at Table 1200-2, for coordination and countersignature. DSAA Comptroller will prepare and coordinate lease certifications to Congress if required (see Section 120004).

B. **Terminations.** USG lease termination also requires coordination in A. above.

120004 CONGRESSIONAL NOTIFICATION

**

A. Certification Requirements.

1. **Leases of One Year or Longer.** Under AECA Sec 62(a), Congress must be notified not less than 30 days before entering into or renewing an agreement with a foreign country or international organization to lease a defense articles for a period of one year or longer. AECA Sec 63(a)(1) provides that leases of MDE valued at \$14 million or more, or defense articles valued at \$50 million or more, except those for NATO, NATO member countries, Japan, Australia, or New Zealand may not be entered into or renewed if the Congress within 30 calendar days after receiving the certification required by Section 62(a) adopts a joint resolution stating it objects to the proposed lease. Valuation for purposes of Sec 63(a)(1) compliance is in terms of replacement cost as specified in Paragraph 120002.D. above.

2. **Renewals.** If a lease for less than one year is renewed (amended) so that the total period of the original lease and the renewal or renewals equals or exceeds one year, the renewal which would cause the one year period to be reached or exceeded must be reported to the Congress 30 days before being entered into. Subsequent renewals require a new notification.

B. Certification Procedures.

1. **Submission.** AECA Sec 62(a) requires certification to the Speaker of the House of Representatives, the Chairman of the Committee on Foreign Relations of the Senate, and the Chairman of the Committee on Armed Services of the Senate. Such certification must occur not less than 30 days before the lease agreement is entered into or renewed. To ensure submission of a timely certification, the IA will forward to DSAA Operations Directorate the Table 1200-4 information at least 60 days prior to the projected date for providing the lease or amendment to the potential lessee for acceptance. When possible, a copy of the draft lease will be included as an attachment to the memorandum. DSAA Operations Directorate will assure the adequacy of the data provided, to include the justification, and the approval of the lease prior to passing the data to DSAA Comptroller Financial Management and Programs Division for development of the Congressional notification and its coordination within OSD, including DSAA Operations (which will obtain DoS concurrence), DSAA Plans (as required), and the DSAA General Counsel. The

DSAA Comptroller will then prepare the AECA Sec 62(a) report to Congress using the format in Table 1200-5 for signature of the DSAA Director and the cover letters in Tables 1200-6 through 1200-8.

2. **Approval.** The finalized original lease agreement and Determination must be provided to DSAA Operations not later than five days before completion of the Congressional notification period. The IA, with coordination from DSAA Operations Directorate, may furnish the prospective lessee an unsigned copy of the lease under a cover letter in the format at Table 1200-9 for leases which do not meet AECA Sec 63 criteria, and Table 1200-10 when the lease is reported to Congress. Thirty days after the Congressional notification, DSAA Operations will authorize the IA to enter into the lease. Immediately on signature of the lease by the parties, the IA will assure that appropriate copies of the lease agreement have been distributed by the country and that any required initial deposit has been received by DFAS-DE before the lease is executed.

C. **Emergency Waiver of Congressional Notification Requirement.** AECA Sec 62(b) authorizes waiver of the Congressional certification requirement described above if the President determines and immediately reports to Congress that an emergency exists which requires that the lease be entered into immediately based on US national security interests. This authority has been reserved to the President for his exercise only. In the event of such an emergency, DSAA will provide instructions to the IA as appropriate to the particular circumstances.

120005 FINANCIAL ARRANGEMENTS.

A. **Payment Schedules.** The lease designator will be used to track the lease in existing automated systems. Schedule A of each lease will identify the replacement costs of the item(s) being leased and will identify the schedule for rental payment due to the USG. The payment schedule will be established on a quarterly billing cycle, compatible with the FMS billing cycle. If the quarterly cycle does not provide for payment prior to the effective date of the lease, an initial deposit will be required to assure that payment is received in advance of the month in which rental is incurred. Billings to the foreign lessee will be based on this schedule of payments and will be included on a separate DD Form 645 with the country's quarterly FMS billing statement. The DoD Component will assure that payment schedules are updated for any extensions, delivery schedule changes, or other amendments which may result in a change to the lease value or schedule of payments. Receipts from lease rental payments under paragraph 120002.E., above will be deposited in the Miscellaneous Receipts Accounts by DFAS-DE.

B. **Use of FMF or MAP Merger Funds.** Use of FMF or MAP funds is not authorized for payments of lease rental payments specified in paragraph 120002.E. When authorized by the DSAA, FMF or MAP funds may be authorized for LOAs prepared in support of a lease. (See paragraph C. below.) However, leases of aircraft to Andean countries for counternarcotics purposes may be FMF funded under section 3(g) of the International Narcotics Control Act of 1990 (P.L. 101-623). In such instances, the entire rental cost of the lease (including any renewals) will be an initial, one-time payment of the amount which would be the sales price of the aircraft if it were sold on an LOA.

C. **Use of LOA.** Costs incurred by the USG incident to the leasing arrangement, including the costs referred to in Paragraph 120002.D., must be reimbursed to the USG using an LOA. Such costs may cover but are not limited to: packaging, crating, handling, transportation, and refurbishment of the leased articles prior to and/or upon termination of the lease. Schedule A of the lease will identify the designator for the related LOA, when known. Also, the LOA will identify the lease designator in a special note. The IA, responsible for the administration of the lease associated LOA, is responsible for reporting costs incurred on the case via the DD Form 1517 performance reporting system.

120006 LEASE CLOSURE. Confirmation that a lease, under its cognizance can be closed must be provided to DFAS-DE by the responsible DoD component. DFAS-DE will use the format at Table 1200-13 to query the responsible DoD component to determine whether lease closure is possible.

120007 REPORTING.

A. **Quarterly Report.** A report in the format at Table 1200-11 will be submitted, not later than 30 days after the end of each quarter, to the DSAA Operations Directorate Management Division with a copy to DFAS-DE by each DoD component which has unexpired leases under its cognizance. This report will identify the statutory authority for the lease.

B. **Financial Report.** On a quarterly basis the SAAC will provide to DSAA Operations Directorate the financial status of each lease to include the following data: country, lessee, defense article(s) leased, identified replacement cost of the leased property, funds collected and deposited or to be deposited to miscellaneous receipts, and amounts due.

120008 US NAVY SHIPS. For leases of US Navy ships, the guidance in Chapter 2 also applies. These leases will be provided to the DSAA/OPS-MGT for coordination. All other Naval ship transfer transactions will be provided to the DSAA Plans Directorate for coordination. The AECA, Chapter 6 applies to leases of ships authorized in separate, specific legislation unless such legislation expressly provides otherwise.

TABLE 1200-1

**DETERMINATION REGARDING THE LEASE OF (ARTICLES(S))
TO (COUNTRY OR INTERNATIONAL ORGANIZATION)
PURSUANT TO CHAPTER 6 OF THE ARMS EXPORT CONTROL ACT**

Lease Designator

I hereby determine that _____ (and if applicable--all associated nonexpendable support equipment, including, but not limited to, tools, ground support equipment, test equipment and publications) are not for the time needed for public use.

I further determine that there are compelling foreign policy and national security reasons for providing such Defense Articles to the (Country or International Organization) on a lease basis rather than on a sales basis under the Arms Export Control Act.

(Date)

(Signature)

Attachment
a/s

Concur: _____
State (PM)

TABLE 1200-1. Determination Regarding the Lease of Article(s) to Countries
or International Organizations Pursuant to the AECA, Chapter 6.

TABLE 1200-2

MEMORANDUM FOR THE DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

SUBJECT: Lease to (Country or International Organization) Under the Authority of the AECA,
Chapter 6; (Lease Designator)

Attached is a draft lease agreement (Encl 1) for your approval and counter-signature, and a Determination (Encl 2) for your signature, which provide for the lease of (identify article(s)) to the (identify country or international organization).

The (DoD Component) considers these defense articles are for the duration of the lease not needed for public use.

Lease of the defense article(s) identified on Schedule A is required rather than a sale for the following reason(s):

- 1.
- 2.
- 3.

Recommend you approve the draft lease agreement and sign the Determination.

Attachments
a/s

LEASE OF [M113 APCs]
BETWEEN
THE UNITED STATES GOVERNMENT
AND
[THE GOVERNMENT OF AUSTRALIA]

This LEASE, made as of [20 October 1995] between the United States Government (hereinafter called the "Lessor Government") represented by its Department of the [Army] and [the Government of Australia] (hereinafter called the "Lessee Government") represented by its [Australian Regular Army],

WITNESSETH:

WHEREAS, The Lessor Government has determined that [two M113 Armored Personnel Carriers] and, if applicable, all associated nonexpendable support equipment as listed in Schedule A of this lease (including but not limited to tools, ground support equipment, test equipment, and publications) (hereinafter referred to as the "Defense Articles") are not for the time needed for public use, and

WHEREAS, The Lessor Government has determined that there are compelling foreign policy and national security reasons for providing such Defense Articles on a lease basis rather than on a sales basis under the Arms Export Control Act,

WHEREAS, The Lessor Government has considered the effects of the lease of the articles on the technology and industry base, particularly the extent, if any, to which the lease reduces the opportunity of entities in the national technology and industrial base to sell new equipment, and

WHEREAS, This lease is made under the authority of Chapter 6 of the Arms Export Control Act,

NOW THEREFORE, The parties do mutually agree as follows:

1. In consideration of a rental charge as indicated in Schedule A, and the maintenance and other obligations assumed by the Lessee Government, the Lessor Government hereby leases to the Lessee Government and the Lessee Government hereby leases from the Lessor Government the Defense Articles for the period of [180 days] commencing on the date first above written (unless otherwise agreed under terms of this lease) and under the terms and conditions set forth in the General Provisions hereto annexed.

2. The Lessor Government shall deliver the Defense Articles to the Lessee Government at such time and place as may be mutually agreed upon. Such delivery may be evidenced by a certificate of delivery.

TABLE 1200-3. Sample Lease.

**

IN WITNESS WHEREOF, Each of the parties has executed this lease as of the day and year first above written, unless otherwise agreed under terms of this lease.

[THE GOVERNMENT OF
AUSTRALIA]

THE UNITED STATES GOVERNMENT

BY _____

BY _____

Typed Name

Typed Name

Title

Title

Date

Date

COUNTERSIGNATURE:

Typed Name

Director, Defense Security
Assistance Agency

Date

TABLE 1200-3. Sample Lease. (Continued)

GENERAL PROVISIONS

1. Operations and Use

a. Except as may be otherwise authorized by the Lessor Government and except for the purposes of transfer from and return to the Lessor Government, the Lessee Government shall keep the Defense Articles in its own possession, custody, and control. The Lessee Government shall not transfer title to or possession of the Defense Articles to anyone not an officer, employee, or agent of the Lessee Government and shall not permit any encumbrance or other third party interest in the defense articles.

b. The Lessee Government shall, except as may be otherwise mutually agreed in writing, use the items leased hereunder only:

(1) For the purposes specified in the Mutual Defense Assistance Agreement, if any, between the Lessor Government and the Lessee Government;

(2) For the purposes specified in any bilateral or regional defense treaty to which the Lessor Government and Lessee Government are both parties, if subparagraph (1) of this paragraph is inapplicable.

(3) For internal security, individual self-defense, and/or civic action, if subparagraphs (1) and (2) of this paragraph are inapplicable.

c. To the extent that any Defense Articles may be classified by the Lessor Government for security purposes, the Lessee Government shall maintain a similar classification and employ all measures necessary to preserve such security, equivalent to those employed by the Lessor Government, throughout the period during which the Lessor Government may maintain such classification. The Lessor Government will use its best efforts to notify the Lessee Government if the classification is changed.

2. Initial Condition. The Defense Articles are leased to the Lessee Government on an "as is, where is" basis without warranty or representation concerning the condition or state of repair of the Defense Articles or any part thereof or concerning other matters and without any agreement by the Lessor Government to alter, improve, adapt, or repair the Defense Articles or any part thereof.

3. Conditioning and Transfer Cost. The Lessee Government shall bear the cost of rendering the Defense Articles operable and transferable and of transferring the Defense Articles from the United States or other point of origin and back to the place of redelivery. In the event the Defense Articles are transported by vessel, only U.S. flag vessels may be used, unless waived by the Lessor Government.

4. **Inspection and Inventory.** Immediately prior to the delivery of the Defense Articles to the Lessee Government, an inspection of the physical condition of the Defense Articles and an inventory of all related items may be made by the Lessor Government and the Lessee Government. A report of the findings shall be made which shall be conclusive evidence as to the physical condition of said Defense Articles and as to such items as of the time of delivery. A similar inspection, inventory, and a report may be made by the Lessor Government upon the termination or expiration of this Lease. The findings of that report shall be conclusive evidence as to the physical condition of the Defense Articles and as to such items as of the date of termination or expiration of this Lease. At the election of the Lessor Government, the Lessee Government at its own cost shall either promptly correct any deficiency or rebuild, replace, or repair any loss of or damage to the Defense Articles or compensate the Lessor Government for the restoration or replacement value (less any depreciation in the value as determined by the Lessor Government) of such correction, rebuilding, replacement, or repair. At the Lessor Government's option, the Lessee Government at its own cost will remove any alterations or additions to the Defense Articles or pay the Lessor Government the cost of such removal, as determined by the Lessor Government. In the absence of removal by the Lessee Government, title to any such alterations or additions shall vest in the Lessor Government.

5. **Maintenance.** The Lessee Government shall maintain the Defense Articles in good order, repair, and operable condition and except as provided in paragraph four, shall upon expiration or termination of this Lease return the Defense Articles in operable condition and in as good condition as when received, normal wear and tear excepted.

6. **Risk or Loss.** All risk or loss of or damage to the Defense Articles during the term of this Lease and until their return to the place of redelivery shall be borne by the Lessee Government.

7. **Indemnification.** The Lessee Government renounces all claims against the Lessor Government, its officers, agents, and employees arising out of or incidental to transfer, possession, maintenance, use, or operation of the Defense Articles and will indemnify and hold harmless the Lessor Government, its officers, agents, and employees for any such claims of third parties and will pay for any loss of or damage to Lessor Government property.

8. **Alterations.** The Lessee Government shall not make any alterations or additions to the Defense Articles without prior consent of the Lessor Government. All such alterations or additions shall become the property of the Lessor Government except items paid for by the Lessee Government which can be readily removed without injury to the Defense Articles and are removed by the Lessee Government prior to redelivery of the Defense Articles. As a condition of its approval of any alteration or addition, the Lessor Government may require the Lessee Government to restore the Defense Articles to their prior condition.

9. **Termination.** This Lease may be terminated without cost to the Lessor Government:

- a. By mutual agreement of the parties;
- b. By the Lessee Government on 30-days written notice; or
- c. By the Lessor Government at any time.

The Lessee Government shall immediately return the leased Defense Articles at the direction of the Lessor Government. Termination will be subject to the Lessee Government's residual responsibilities hereunder (such as, duty to return leased Defense Articles promptly, to pay costs required hereunder, and to indemnify and hold harmless the Lessor Government).

10. **Place of Redelivery.** Upon expiration or termination of this lease, the Defense Articles shall be returned to the Lessor Government at [Red River Depot, Texas], or as mutually agreed.

11. **Title.** Title to the Defense Articles shall remain in the Lessor Government. The Lessee Government may place the Defense Articles under its flag or display its national insignia when appropriate.

12. **Reimbursement for Support.** The Lessee Government will pay the Lessor Government for any services, packing, crating, handling, transportation, spare parts, materials, or other support furnished for the Defense Articles by the Lessor Government pursuant a Letter of Offer and Acceptance under the Arms Export Control Act. (FMS Case [AT-B-UAA] applies).

13. **Covenant Against Contingent Fees.** The Lessee Government warrants that no person or selling agency has been employed or retained to solicit or secure this Lease upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee.

14. **Officials Not to Benefit.** No members of or Delegate to Congress of the United States, or Resident Commissioner of the United States shall be admitted to any share or part of this Lease or to any benefit that may arise therefrom.

15. **Proprietary Rights.** The Lessee Government will ensure, by all means available to it, protection of proprietary rights in any Defense Article and any plans, specifications, or information furnished, whether patented or not.

16. **Reports.** When the Lessee Government performs tests and evaluations on the leased Defense Articles and prepares a formal report of the resulting data to be released to a third party, the Lessee Government will allow the Lessor to observe the test and evaluation and to review the report. The Lessee Government will obtain Lessor Government approval of any release to a third party.

17. **Cost of Lessor Government.** The Lessee Government agrees to pay in United States dollars all costs incurred by the Lessor Government in leasing the Defense Articles covered by this Lease including, without limitation, reimbursement for depreciation of such Defense Articles while leased. The costs of restoration or replacement will be billed to the Lessee Government under the Lessor Government's foreign military sales procedures. The rental charge shown in Schedule A is based on costs identified at the time of signature of this Lease and does not relieve the Lessee Government from liability for other costs in accordance with the provisions of this Lease.

TABLE 1200-3. Sample Lease. (Continued)

18. **Distribution.** Copies of the accepted Lease will be distributed by the Lessee as follows:

- a. [U.S. Army Security Assistance Command] - Original
- b. [ODC Canberra] - copy
- c. DFAS-DE - copy and, if applicable, check for initial deposit
- d. DSAA/OPS-MGT - copy

[Sample information which would be entered by IA is bracketed in bold type. This sample is unrelated to actual programs with any country.]

TABLE 1200-3. Sample Lease. (Continued)

TABLE 1200-4

MEMORANDUM FOR THE DIRECTOR FOR OPERATIONS, DSAA

SUBJECT: Certification to Congress of a Lease Under the Authority of the AECA, Chapter 6;
Lease Designator _____

The following information is provided in connection with the reporting requirement of the AECA, Section 62(a).

- a. Country or International Organization:
- b. DoD Component:
- c. Total Value Replacement Costs (must be same as Schedule A of the Lease Agreement):
- d. Type and Quantity of Equipment (segregate the MDE, indicating value):
- e. Security Classification:
- f. Duration of Lease:
- g. Summary of Lease Terms (to include any special conditions):
- h. Total Rental Value (must be same as Schedule A of the Lease Agreement):
- i. Activity of the DoD Component Responsible for Administering Lease:
- j. Estimated Date Lease and Determination Will be Provided to the DSAA:
- k. Justification (to include reason(s) why defense article(s) is/are being leased rather than sold under FMS):
 - (1)
 - (2)
 - (3)
- l. Action Officer's name, office, and complete telephone number.

TABLE 1200-4. Memorandum for the Director for Operations, DSAA.

TRANSMITTAL NO. [NUMBER] - [YEAR]
NOTICE OF PROPOSED LEASE PURSUANT TO SECTION
62 OF THE ARMS EXPORT CONTROL ACT

- (i) Prospective Lessee:
- (ii) Description of Articles Provided: [Type and Quantity]
- (iii) Total Estimated Value: [In terms of replacement cost]
- (iv) Terms and Duration of Lease: [Period of Lease/Total Rental/Special Conditions]
- (v) Justification: [Explanation/Reasons why defense article is being leased rather than sold]
- (vi) Industrial Impact: [Explanation why leasing defense article will not adversely impact industry]

TABLE 1200-5. AECA 62(a) Report to Congress.

**

TABLE 1200-6

LETTER TO THE HONORABLE SPEAKER OF
THE HOUSE OF REPRESENTATIVES

In reply refer to:
I- ct

Honorable
Speaker of the House of Representatives
Washington, D.C. 20515-0001

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 62(a) of the Arms Export Control Act, we are forwarding herewith Transmittal No. (#-Yr).

This transmittal concerns the Department of (MILDEP or DoD activity) proposed Lease of defense articles to (country).

Sincerely,

Attachments
a/s

TABLE 1200-6. Letter to the Honorable Speaker of the House of Representatives.

TABLE 1200-7

LETTER TO THE HONORABLE CHAIRMAN,
COMMITTEE ON FOREIGN RELATIONS

In reply refer to:
I- ct

Honorable
Chairman, Committee on Foreign Relations
Washington, D.C. 20510-0001

Dear Mr. Chairman:

Pursuant to the reporting requirements of Section 62(a) of the Arms Export Control Act, we are forwarding herewith Transmittal No. (#-Yr).

This transmittal concerns the Department of (MILDEP or DoD activity) proposed Lease of defense articles to (country),

Sincerely,

Attachments
a/s

TABLE 1200-7. Letter to the Honorable Chairman, Committee on Foreign Relations.

TABLE 1200-8

LETTER TO THE HONORABLE CHAIRMAN,
COMMITTEE ON ARMED SERVICES

In reply refer to:
I- ct

Honorable
Chairman, Committee on Armed Services
United States Senate Washington, D.C. 20510-0001

Dear Mr. Chairman:

Pursuant to the reporting requirements of Section 62(a) of the Arms Export Control Act, we are forwarding herewith Transmittal No. (#-Yr).

This transmittal concerns the Department of (MILDEP or DoD activity) proposed Lease of defense articles to (country).

Sincerely,

Attachments
a/s

TABLE 1200-8. Letter to the Honorable Chairman, Committee on Armed Services.

TABLE 1200-9

LETTER TO THE PROSPECTIVE LESSEE ADVISING LESSEE
OF CONGRESSIONAL NOTIFICATION OF A LEASE FOR OVER ONE YEAR

Dear _____

Enclosed for consideration and analysis by your (Government/Organization) is an unsigned advance copy of a lease, (Lease Designator).

Section 62 of the Arms Export Control Act requires certification be given to the Congress of the United States at least 30 days prior to entering into a lease of one year or longer.

The Department of Defense has transmitted the required certification to the Congress on (date). You will be advised if any delays arise which would prevent us from providing the signed lease to your (Government/Organization) on (date).

Should your (Government/Organization) wish to accept this lease, it should await receipt of the signed lease.

Sincerely,

Enclosure
a/s

TABLE 1200-9. Letter to the Prospective Lessee Advising Lessee of Congressional
Notification of a Lease for Over One Year.

TABLE 1200-10

LETTER ADVISING LESSEE OF CONGRESSIONAL NOTIFICATION
OF LEASE FOR MDE FOR OVER ONE YEAR

Dear _____

Enclosed for consideration and analysis by your (Government/Organization) is an unsigned advance copy of a leasing arrangement; Lease Designator _____.

Section 62 of the Arms Export Control Act requires certification be given to the Congress of the United States at least 30 days prior to entering into a lease of one year or longer. Section 63 further provides that a lease of one year or longer of major defense equipment valued at \$14,000,000 or more or defense articles valued at \$50,000,000 or more may not be entered into if the Congress within 30 calendar days after receiving the certification adopts a joint resolution stating that it objects to the proposed lease.

The Department of Defense has transmitted the required notification to the Congress on (date). Assuming that the Congress does not object to the proposed lease, the enclosed lease will be signed and issued to your (Government/Organization) by the authorized Department of Defense representative on or about (date). In the event that the Congress should object to this proposed lease, you will be notified promptly of that fact.

Should your (Government/Organization) wish to accept this lease, it should await receipt of the signed lease.

Sincerely,

Enclosure
a/s

TABLE 1200-10. Letter Advising Lessee of Congressional Notification of Lease
for MDE for Over One Year.

TABLE 1200-11

RCS: DSAA(Q)1146

Prepare a report in the format below (classified if necessary) for each lease of any value, providing for the lease of property to a foreign government or international organization. Leases will be reported until the property is returned to US custody, or lease is completed by other action.

FORMAT

The following data will be included for all leases:

Lessee:

Lease case designator (if applicable):

Item(s):

Date of lease and statutory authority (AECA Sec. 61, 10 USC 2667, Other):

Duration/special terms:

Expiration date:

Replacement value of lease material (when leased):

Total rental or summary of other considerations:

Rental paid to date:

Date lease reported to the Congress (if required under the AECA, Section 62):

Action taken on expired lease or lease due to expire during next quarter:

Lease being renewed:

Date material returned:

Material sold (FMS Case Designator):

Other action status than that above:

TABLE 1200-11. RCS: DSAA(Q)1146

TABLE 1200-12
CERTIFICATE OF DELIVERY

Pursuant to the provisions of the Lease Agreement executed (this date) between our respective governments, the undersigned as the authorized representative of the

Government of (insert)

accepts the below described (insert) together with its on board equipment from

(insert)

authorized representative of the United States (enter DoD Component)

Item

Nomenclature

Quantity

Date

US Representative

Government of (insert)
Representative

NOTE: Recommended distribution:

Original to: MILDEP JAG
Copies to: DSAA
MILDEP SA Activity
SAO
DFAS-DE

TABLE 1200-12. Certificate of Delivery.

TABLE 1200-13

LEASE CLOSURE INFORMATION

SUBJECT: (Chapter 6, AECA/10 USC 2667) Lease for Case Closure.
(Insert as appropriate)

TO: (Insert DoD Component Address)

References: Lease Case (Insert Designator)

1. Prior to certifying case closure, the Security Assistance Accounting Center (SAAC) requests the following information:

Property returned to USG custody*	Location	Date
or		

Property transferred to foreign government	LOA Designator or Other Authority	Date
--	--------------------------------------	------

Lease extended (renewed) _____ Date _____

If lease renewed, provide
lease designator _____

2. Action, as required above, for lease closure has been completed:

Signed _____

Title _____

Agency _____

3. Please complete above data and return to DFAS-DE, Denver Center, Denver CO 80279
NLT _____. Point of contact is: _____.

***For 10 USC 2667 leases include confirmation that all financial requirements are complete.**

TABLE 1200-13. LEASE CLOSURE INFORMATION

AMENDMENT # [1] TO
LEASE OF [M113 APCs]
BETWEEN
THE UNITED STATES GOVERNMENT
AND
[THE GOVERNMENT OF AUSTRALIA]

WHEREAS, the United States Government and the Government of [Australia] signed a lease agreement dated [20 October 1995] for [180 days] of [M113 Armored Personnel Carriers and related items].

WHEREAS, [reason for amendment; e.g., An additional 60 days will be required for completion of equipment tests],

NOW THEREFORE, the parties do mutually agree as follows:

1. [List replacement page(s) or show applicable changes, including clarifications; e.g., The period of lease is hereby changed from 180 to 240 days.]
2. [List additional changes as needed.]
3. Other provisions, terms, and conditions of the original lease remain unchanged.

IN WITNESS WHEREOF, each of the parties hereto has executed this lease amendment as of the day and year last below written unless otherwise agreed under terms of this amendment.

[THE GOVERNMENT OF AUSTRALIA] **THE UNITED STATES GOVERNMENT**

BY _____

BY _____

Typed Name

Typed Name

Title

Title

Date

Date

COUNTERSIGNATURE:

Typed Name

Director, Defense Security
Assistance Agency

Date

[Sample information to be entered by the IA is bracketed in bold type. Data are unrelated to actual programs with any country.]

TABLE 1200-14. Sample Lease Amendment. (Continued)

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J. Corrective Action Follow-Up.

1. SAOs and UCOMs should provide for positive follow-up corrective action responses to GAO and DODIG findings and recommendations. In some instances, special reports on status of corrective action may be required by DSAA. In all cases, the adequacy of corrective action on audits and inspections may be raised during DSAA staff visits.

2. UCOMs will submit reports to Plans Directorate, DSAA, which reflect, as of 31 March and 30 September, the status of incomplete corrective actions for each applicable GAO and DODIG report. The reports are due within 30 days of the close of each semi-annual period, and negative reports are required. Additional guidance on preparation of reports is provided in DOD Directive 5000.41.

130303 DSAA FINANCIAL MANAGEMENT REVIEW PROGRAM

A. **Background.** The Director, DSAA, is responsible for carefully monitoring the requirements for and the availability of funds to support FMS programs. Many FMS recipients have limited resources with which to finance essential defense programs. These factors highlight a requirement for DOD and the MILDEPs to review the financial status of FMS programs in order that FMS customers may base programmatic and financial decisions on accurate and timely information.

B. **Purpose.** The DSAA Financial Management Review Program (FMRP) (RCN 1150) was established to identify and resolve current financial problems and to provide an "early warning" system for emerging problems so that the USG and the customer may have as many options as possible in resolving these problems. The FMRP constitutes a country-level overview of a customer's program, taking into account current and projected requirements and anticipated resources, including FMS credits, MAP grants, and budgeted national funds. This information can assist FMS customers in managing their resources and in making crucial decisions related to future FMS purchases. The FMRP does not duplicate or substitute for FMS case financial and logistical reviews conducted by IAs with in-country counterparts, but ties together individual IA programs into an overall country financial summary (see Table 1303-1 Sample Tasking Letter for DSAA RCN 1150).

C. Procedures.

1. Each quarter, DSAA selects up to four FMS customer programs for review. DSAA then requests financial data (see Table 1303-2) on a list of cases representing about 90 percent of the ordered value of the FMS program.

2. IAs may be requested to complete a case worksheet furnished by DSAA for certain cases. The following is an example of data elements that may be included in the worksheet:

a. Total Case Value: "Estimated Cost" (articles/services/administrative/accessorial value) reflected in block (26) of the 1513 or in block (27) of the latest amendment (1513-1) or modification (1513-2) to the case.

b. Net Case Value: "Estimated Cost" (articles and services value) in block (21) of the 1513 or in block (22) of the latest amendment (1513-1) or modification (1513-2) to the case.

c. Obligations. The IA's total financial obligations related to the case during the periods cited on the form, for example, value of contracts let and requisitions issued.

d. **Working Funds.** The amount of funds to be expended on behalf of the case during the period cited on the form; that is, an estimate of the disbursements (reimbursable and direct cite) that SAAC will make from the trust fund for deliveries and contractual progress payments.

e. **TL/Contractor Holdback.** Estimate of additional funds that should be collected for these requirements. [See Chapter 7, Para 70103.H.3.b.(2).]

f. **Estimated Supply Completion Date.** The date that all articles will have been delivered and all services performed. Provide date in YYMM format; for example, Mar 87 would be 8703.

g. **Estimated Closure Date.** The date that a Case Closure Certificate will be submitted to the SAAC. (YYMM)

h. **Excess Case Value.** Any portion of case value that is in excess of anticipated total costs.

i. **Remarks.** Any exceptional circumstances concerning the financial status of the case; such as, payment schedule front-loaded at customer request; amendment or modification pending to increase/decrease case value or revise payment schedule; or closure delayed because case is in litigation.

3. Following consolidation and analysis of the data, DSAA will meet or correspond with IAs, as appropriate, to follow-up on recommended actions.

130304 C-12 MANAGEMENT

A. **Command Relationships.** The DSAA, DIA, and the USAF MOU, dated 23 September 1983, provides C-12 aircraft to DSAA to assist in implementing the worldwide SA mission. In consultation with the appropriate UCOM, DSAA assigned these C-12's overseas to SAOs on a priority basis. UCOMs provide additional guidance to SAOs on C-12 program management.

B. **Mission.** The primary mission of the six DSAA dedicated C-12 aircraft is to support * SAO security assistance program management. Other missions may be flown when they do not have an adverse impact on the SA mission and when they are reimbursed.

1. **Security Assistance Missions:** These missions must support SA management responsibilities as outlined in Section 515 of the FAA. Included in this category are local in-country training, evaluation, and maintenance flights. These missions are financed by SA administrative funds.

2. **Other Missions:** There is no legal basis to use SAO SA administrative funds for C-12 flights for other than SAO SA management purposes. Missions flown in the "Other" category shall be flown on a reimbursable basis. Other missions may be flown only when they will not impair SA missions and only in compliance with the laws and regulations governing the use of DOD transportation assets. Examples include: disaster relief, UCOM exercises, visitors who are on non-SA management business, flights flown in support of the U.S. embassy, U.S. Defense Representative responsibilities, or flights flown in support of an FMS case which specifically includes a transportation line. C-12 flights which support Congressional or Congressional Staff Delegations (CODELs) are also included in this category (See Paragraphs 130304D.2.b.(2) and 130304D.2.c.(1). below).

C. DSAA C-12 Policies.

1. When SAOs share or jointly use C-12 aircraft, SA missions take precedence over any other SAO requirements.

2. All C-12 missions flown out of the SAO area of accreditation require prior justification to, and approval by, the UCOM.

3. The C-12 aircraft shall be used only when such use is more economical than commercial aircraft or airline services are not available, readily obtainable, or for reasons which must be specified, incapable of satisfying the transportation requirements. The C-12 should not be used if travel requirements can be met when other safe, more cost effective modes of transportation are available; e.g., rail, automobile, etc. The SAO Chief has the authority to make these decisions.

4. Passenger travel and reimbursement shall be in accordance with DOD 4515.13-R, *Air Transportation Eligibility*, November 1994, or by specific UCOM approval before flight, * except in case of emergency.

D. Areas of Special Concern. Three major areas of concern are: Flight authority, passenger approval/eligibility/reimbursement, and flying hour program management.

1. Flight Approval Authority:

a. The SAO Chief may approve Flights within his area of accreditation in support of SA management functions, as specified in Paragraph 130302.A.

b. For "Other" missions, established UCOM approval procedures will be followed and fund cites obtained prior to flight.

c. For DSAA dedicated C-12s, the SAO Chief may approve missions requested by USAF agencies (usually located in close proximity to the SAO) desiring to use their own pilots and flying time. If the USAF agency will use the C-12 on a regular basis, the SAO and the USAF agency should negotiate a written agreement and forward it through the UCOM to DSAA for approval. The agreement should outline scheduling priorities, responsibilities, and administration and shall be consistent with the DSAA/DIA/USAF MOU dated 23 September 1983. These missions will be approved on a non-interference basis.

d. For DSAA dedicated C-12s, the SAO Chief will retain responsibility for the proper use of the C-12 regardless of the agency using or funding the use of the C-12. For DIA dedicated C-12 aircraft, jointly used by the SAO, the SAO Chief will retain responsibility for proper C-12 use for SAO missions.

2. Passenger Approval/Eligibility/Reimbursement.

a. Passenger eligibility for all DOD aircraft is set out in DOD 4515.13-R. In brief, normal categories of military travel are permitted to include temporary duty and space-available travel of military members and dependents, provided that such travel does not interfere with the primary SA mission. Special categories of passengers may be eligible for C-12 travel if approved by the appropriate authority as set out in DOD 4515.13-R. NOTE: DSAA dedicated C-12 missions may not be scheduled solely for rest and recuperation purposes.

b. The SAO Chief is responsible to determine if movement of travellers will interfere with the SA mission and is therefore the final authority for passenger movement. This includes authorization of SA travel as well as determination that "Other" travel will not interfere

with the SA mission. The SAO may also approve space-available travel. In addition, the SAO Chief has special authority as outlined in DOD 4515.13-R, Paragraph 10-I, for specified American * Embassy personnel, distinguished foreign nationals, key foreign military, and wives of certain officials under certain conditions.

(1) Spouses of DOD personnel, other than authorized by Paragraph 10-I, * must have ITOs. Due to unique funding of DSAA C-12 operations, these procedures may differ from other DOD aircraft transportation requirements. In any case, the spouse travel must clearly be in the national interest and there must be an unquestionable official requirement in which the spouse is actually to participate.

(2) CODELs warrant special consideration. The ASD for Legislative Affairs (ASD/LA) has approval authority for non-sponsored, non-reimbursable flights in support of CODELs. In addition, sponsored, non-reimbursable CODEL flights outside of the U.S. must be submitted to SECDEF (DOD 4515.12). In the process of determining the availability of DSAA dedicated C-12 aircraft to support a CODEL mission, DSAA will verify to ASD/LA that the aircraft does not have a higher priority SA requirement. Normally, DSAA will request the appropriate UCOM to obtain C-12 availability from the SAO. Once a decision has been made to use the DSAA dedicated C-12, the MILDEP which has been assigned by ASD/LA to support the CODEL should immediately provide the SAO, UCOM, and DSAA/Plans, PGM with a fund cite to support the * missions, as well as list of names of official members of the CODEL, identified by the Chairman of the Committee which is sponsoring the CODEL, to ensure that all concerned clearly understand who the authorized passengers are. Pursuant to 31 U.S.C 1108(g), and the rules promulgated thereunder; such as, DOD 4515.12, 12 December 1964, official members of CODELs may be authorized passengers on DSAA dedicated C-12 aircraft. On short notice requests, SAOs should telephone DSAA/Plans, PGM (Commercial 703-604-6644, DSN 664-6644) to resolve questions * on CODEL travel. SAOs will keep the UCOM and DSAA/Plans, PGM Division informed. *

c. The reimbursement requirement for passenger travel is also addressed in DOD 4515.13-R. If the passenger is on official duty in support of SAO management functions, he/she is authorized travel and no reimbursement is required. In addition, approval authority for space-available, non-reimbursable travel for designated individuals is granted to SAO Chiefs by DOD 4515.13-R, Paragraph 10-I. Embassy requests for permission to transport non-DOD * individuals (outside the authority of Paragraph 10-I) shall be in accordance with Department of * State Foreign Affairs Manual Volume 6, Section 185 (6 FAM 185), 18 December 1987, as amended to ensure proper inter-agency coordination. Note that DOS requires that 6 FAM 185 procedures be followed by all non-DOD elements of the Embassy. All other passengers must fall under the purview of DOD 4515.13-R, Paragraph 10-I as non-reimbursable, or they must * reimburse DSAA for their travel.

(1) While some CODEL missions may be considered by DSAA and SAOs to be SA missions, there is no authority for the use of SA administrative funds to support non-SA CODEL missions on DSAA dedicated C-12 aircraft. CODEL mission funding will be the responsibility of the MILDEP tasked by ASD/LA to support the CODEL. The cost for the CODEL mission will be reported by the SAO via DSAA Form 78-001 to the DSAA Comptroller-Budget Division for reimbursement action

(2) For reimbursable travel, there is no seat mile rate for DSAA dedicated C-12 aircraft. Flying hour rates shall be used. Questions may be directed to DSAA/Comptroller-Budget.

3. **Flying Hour Program Management:** The responsibilities of SAOs, UCOMs, and DSAA are stated in the following paragraph.

E. Responsibilities.**1. SAO Responsibilities:**

- a. SAOs will provide UCOM the flying hour programs for the yearly budget in * accordance with criteria established by this manual and DSAA/Comptroller annual budget call. UCOM will review and forward recommended flying hour requirements. *
- b. SAOs are required to submit monthly activity reports to the C-12 Program * Manager in accordance with the Oklahoma Air Logistics Center (OC-ALC/LKO), Oklahoma City, Oklahoma, and DSAA C-12 Support Agreement T-607, Attachment 3, January 1991.
- c. SAOs will provide the UCOM with copies of all MOUs between the SAO and other organizations where a shared or joint use agreement is in effect.
- d. The SAO is responsible for completing DSAA Form(s) 78-001, "Request for Revenue Traffic Aircraft", and a memorandum certifying actual flying time, for each reimbursable flight and for mailing these forms to DSAA/Comptroller-Budget, 1111 Jefferson * Davis Highway, Suite 303, Arlington VA 22202, as soon as practical (not later than ten working days after the date of the flight). For additional guidance see SAMM Chapter 13, Section 1302, Paragraph 130202.C.2.e.(2).
- e. The SAO will keep the appropriate UCOM and DSAA/Plans PGM informed * on all CODEL missions, as appropriate.
- f. The SAO will provide UCOM information pertaining to changes in overall * flying hour program requirements as soon as possible. UCOM will review and forward * recommended changes to DSAA Plans-PGM. Changes to flying hour programs, or movement of aircraft, can require a lead time of six months to become effective.
- g. The SAO Chief will ensure that SAO complies with this section as well as guidance which may be provided by the UCOM. Questions regarding this section should be directed to DSAA/Plans, PGM, through the appropriate UCOM C-12 Point of Contact. *

2. UCOM Responsibilities:

- a. UCOMs are charged with administrative oversight of DSAA dedicated C-12 aircraft in their area of accreditation consistent with applicable guidelines and directives to ensure safe and efficient use of these resources.
- b. UCOM will keep the Director, DSAA informed of problems or issues resulting from reviews of SAO monthly reports, or other sources, to include corrective action(s) underway.
- c. The UCOM will assist SAOs in obtaining fund cites for "Other" missions, * as necessary, prior to the mission.
- d. The UCOM will maintain copies of all MOUs between SAOs and other * organizations for joint or shared use of DSAA dedicated C-12 aircraft.

3. **DSAA Responsibilities:**

a. DSAA/Comptroller-Budget Division:

- (1) Obtain funding and establish approved flying hour budgets for SAOs.
- (2) Administer reimbursement to the USAF for the total cost of the SAO flying hour program to include the maintenance contract costs, engine overhaul, and fuel.
- (3) Process DSAA Forms 78-001 submitted by SAOs.

b. DSAA/Plans-Programs Division:

- (1) Provide policy and program guidance on management of DSAA dedicated C-12 aircraft. *
- (2) DSAA office of primary responsibility for Internal Management Control (IMC) reporting on C-12 aircraft to higher authority.
- (3) Establish annual flying hour program reporting requirements. *
- (4) Provide annual flying hour requirements to the C-12 Program *
Manager at Oklahoma City Air Logistics Center.
- (5) DSAA office of primary responsibility on the DIA/DSAA/USAF C-12 *
MOU.
- (6) DSAA point of contact for CODEL travel. *
- (7) DSAA POC for 2852 ABG/DSAA Support Agreement. *

TABLE OF CONTENTS

CHAPTER FOURTEEN

SPECIAL PROGRAMS AND ACTIVITIES

	Page
Section 1400 - Special Defense Acquisition Fund	1400-1
140001 Authority and Purpose	1400-1
140002 Management	1400-1
140003 Funding	1400-2
140004 Overview of Operations	1400-2
140005 Procurement Criteria	1400-3
140006 Program Implementation	1400-4
140007 Sales to the SDAF (Buy-In)	1400-5
140008 Inventory Control and Reporting	1400-6
140009 Pricing Sales From the SDAF (Sell-Out)	1400-6
140010 FMS Sales of SDAF Items	1400-7
140011 SDAF Delivery Reporting	1400-8
140012 Equipment Loans	1400-9
140013 Reporting	1400-9
Table 1400-1 - SDAF Schedule for Procurement Plan Development	1400-11
Table 1400-2 - SDAF MIPR Cost Checklist	1400-12
Table 1400-3 - DSAA SDAF Inventory Report	1400-13
Table 1400-4 - DSAA SDAF Financial Analysis Worksheet	1400-14
Table 1400-5 - DSAA SDAF Loan Agreement	1400-16
Section 1401 - Foreign Manufacture of U.S. Defense Equipment	1401-1
140101 Purpose	1401-1
140102 Background and Scope	1401-1
140103 Authority to Negotiate and Sign International Agreements	1401-1
140104 Principles Regarding Coproduction Policy	1401-2
140105 Security Assistance Coproduction Agreements	1401-4
140106 Cooperative Projects Under the AECA, Section 27	1401-10
140107 Requests for Offset Procurement	1401-14
140108 Release of Technical Data	1401-15
140109 Royalty Fee Management	1401-23
Table 1401-1 - Data Sheet for TDP Transferred for Operation and Maintenance	1401-26
Table 1401-2 - Data Sheet for TDP Transferred for Study or Production	1401-27

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3. **Criteria for USG Monitoring.** USG monitoring and production validation requirements will vary contingent upon numerous factors unique to individual programs. Decisions regarding USG monitoring requirements will be made on a case-by-case basis after review of each situation. USG audits of production facilities may not be required when there is clear evidence of commercial arrangements which are satisfactory to the DoD or where similar DoD controls would result in a duplication of effort. Such circumstances exist when there will be a direct agreement between a US firm and the foreign government or foreign firm which provides access to foreign facilities and production records by the US firm. Further, the need for direct USG involvement in oversight may also be reduced while the US firm will have technical representatives in the foreign plant or the US will retain control over critical technology or components essential to the item being produced. Industry technical representatives will be requested to provide information on the foreign production including items and quantities, third party sales, and any non-compliance with provisions of the MOU/MOA to the cognizant DoD component. When USG monitoring is modified based on the industry arrangements, MOUs/MOAs will be structured to provide for USG monitoring once industry technical representatives leave the foreign production facility or are no longer required. In other cases, authorization of production of the entire item in the foreign country increases the need for USG monitoring provisions. Whether or not USG monitoring and validation provisions are in the MOU/MOA does not change the requirements of the responsible DoD components to assure that the reports required by Paragraph F below are submitted, and for maintaining oversight of the program. All of these factors will be considered in the initial structuring of the program and in the initial discussions between DoD and US industry relative to the program monitoring and access requirements. MOUs/MOAs will be structured to assure that there are acceptable monitoring provisions for each program and also that the DoD component responsible for the MOU/MOA receives adequate data to monitor the program and to prepare the status reports.

4. **DoD Component Responsibility.** The DoD component responsible for an MOU must assure that the following actions are accomplished.

a. That commitments are not made regarding coproduction programs until OSD level approval is obtained in accordance with DoDD 5530.3.

b. That MOUs are drafted consistent with current DoD policy and that negotiation and conclusion authority is requested and obtained in accordance with the provisions of DoDD 5530.3.

c. That appropriate provisions are included in all agreements to assure USG and foreign country rights and obligations are clearly defined. Appropriate provisions to enable USG monitoring of the agreement as identified in Paragraph 1 above will be included in all agreements.

d. That munitions export license reviews and approvals will not be provided prior to completion of negotiations if such approvals would conflict with, or otherwise impact on, USG MOU/MOA negotiations.

e. That all MILDEP coordination is conducted and any required Congressional notification data is provided to DSAA.

f. That after conclusion of the agreement appropriate distribution of copies of the agreement is made to DSAA, the SAO, DIA, OGC (original), State Department Treaty Affairs, and other involved organizations.

g. That responsibility for monitoring all aspects of the agreement is clearly assigned within the organization. Since the majority of the agreements will involve the coproduction of US defense equipment, it is expected that overall responsibility will normally rest with the program manager or project manager within a MILDEP.

h. Since many agreements are complex and involve numerous DoD functional area responsibilities, the monitoring and implementation of individual aspects of the agreements will be the responsibility of the cognizant DoD component for that functional area. Accordingly, implementing arrangements will clearly identify such individual responsibilities.

i. That procedures are established to assure compliance with all elements of the agreement. Issues of noncompliance will be addressed expeditiously. DSAA will be provided with an information copy of any correspondence issued or received relative to MOU/MOA compliance matters.

j. Data on the status of the foreign country's production line and the quantities produced will be maintained. This data will be included in the summary report submitted to DSAA on a semi-annual basis

k. Assure that production facilities are visited by DoD personnel, if required, consistent with the provisions of the MOU/MOA. During such visits, the personnel will, as a minimum, review production records and validate production and retransfer reports. Findings will be recorded in a trip report and distributed to all involved agencies. The visits may be conducted by knowledgeable personnel in conjunction with other regularly scheduled visits.

5. **DSAA Responsibilities.** Under the provisions of DoDD 5503.3, DSAA is the OSD point of contact for coproduction and SA MOUs/MOAs; i.e., MOUs/MOAs that will/may be implemented under the provisions of the SA program, and for providing the authority to negotiate and conclude such agreements.

a. DSAA will receive requests from DoD components for authority to negotiate and conclude coproduction and SA MOUs/MOAs. Prior to providing such authority, DSAA will staff the MOUs/MOAs with the appropriate DoD components, within OSD, and with the Department of State.

b. DSAA is responsible for providing policy guidance on coproduction and SA MOUs/MOAs, when required, and for conducting any necessary staffing of such guidance within OSD and with the Department of State.

c. DSAA is responsible for staffing and providing to the Congress certain notifications required by legislative provisions; e.g., AECA Section 36(b).

d. DSAA is responsible for initiating appropriate action within DoD and with the Department of State when issues of MOU/MOA non-compliance are identified.

e. DSAA/OPS-MGT is the point of contact within DSAA for all issues relative to * MOU/MOA compliance. A point of contact within Operations will be identified to all involved organizations regarding all matters concerning the MOU/MOA. This identification will be provided to the DoD component responsible for the MOU/MOA.

6. **SAO Responsibilities.** As a part of its program management and oversight function, the SAO has certain responsibilities relative to all SA agreements. To accomplish these responsibilities, the SAO will:

a. Identify the specific individual within the SAO who will be familiar with the agreement and who is responsible for monitoring the status of the agreement in country. This will include maintaining contact with the cognizant DoD component. Provisions will be made for continuity of the requirement after departure of the first individual identified.

b. Be responsive to all requests for information from the program manager or DSAA regarding any security assistance program MOU/MOA.

c. Provide to all involved organizations any information on problems with an MOU/MOA or information on potential or alleged non-compliance brought to the SAOs attention.

d. When required, to serve as the conduit for production status information from the country to the responsible DoD component.

F. Status Report of Coproduction Programs. The cognizant DoD Component ** will provide to DSAA an annual update of the status of coproduction programs under its purview, with a copy to OUSD(A&T)DUTP&IP. DSAA Reports Control Symbol DSAA 1226 is established for this report. The following information is required on an annual basis as of 31 December (The report will be submitted not later than 31 January):

1. Country/International Organization
2. Date of MOU/MOA
3. Expiration of MOU/MOA
4. Item(s) and Quantity(s) authorized for production in MOU/MOA
5. Status of foreign country's production; i.e., items in production, quantities produced during the reporting period, quantity produced to date. *
6. Third Country Sales authorized, if any, specifying country and quantity involved.
7. Identification/summary of any reports of MOU/MOA noncompliance received during the reporting period (if none, state none). *
8. Source of information for data provided under Sections 5, 6, and 7 of the report, and a summary of monitoring actions taken during the reporting period. *
9. Name, organization, and telephone number of the assigned project officer.
10. Status/summary of technology flowback received and its use.

140106 COOPERATIVE PROJECTS UNDER THE AECA, SECTION 27.

A. General.

1. One of the components of the DoD relationship with its allies, within the arena of defense cooperation, involves NATO Cooperative Projects. These projects are authorized by Section 115 of the International Security and Development Cooperation Act of 1985 which amends Section 27 of the AECA and, by Section 1102 of the DoD Authorization Act of 1986 which adds a new Section 2407 to Title 10 of the USC.

2. The original legislative authority for these cooperative projects applied only to NATO member countries. Subsequent authority (Section 1103 of the National Defense Authorization Act for FY 1987) amended Section 27 of the AECA to extend the scope of the cooperative projects to specific non-NATO friendly foreign countries, based on identification of the countries by DoD and reports submitted to the Congressional Committees.

3. Programs eligible for designation and implementation as cooperative projects are required to meet the definitional and waiver criteria of Section 27 of the AECA and 10 USC. 2407, set forth below. The objective of these projects is to economize through pooling of resources by all parties. Thus, a basic principle of these projects is the willingness of the participants to equitably share the costs and administrative expenses of the program. Additionally, such agreements must provide that no requirement is imposed by a participant for worksharing or other industrial or commercial compensation in connection with the agreement that is not in accordance with such agreement.

4. Cooperative projects are intended to fulfill joint requirements of both the DoD and the foreign parties and thus Section 27 provisions are not intended to be applied to those programs that entail foreign acquisition to meet foreign requirements whether from US production, foreign coproduction, or licensed production of wholly US developed weapons systems. That is, cooperative projects are not a substitute for FMS. Cooperative projects make possible partnership arrangements for truly cooperative projects where the US and another eligible country make equitable and important contributions during the early phases of weapons systems development and where a joint management office is established to administer the program on behalf of the participants.

B. Definitions - Section 27, AECA.

1. NATO Cooperative Project. The term "cooperative project" in the case of an agreement with the NATO, or with one or more member countries of that organization, means a jointly managed arrangement, described in a written agreement among the parties, which is undertaken in order to further the objectives of standardization, rationalization, and interoperability of the armed forces of NATO member countries and which provides:

a. For one or more of the other participants to share with the US the costs of research, development, testing, evaluation, or joint production (including follow-on support) of certain defense articles;

b. For concurrent production in the US and in the country of another participant of a defense article jointly developed under a. above;

c. For procurement by the US of a defense article or defense service from another member country.

2. Non-NATO Cooperative Project. The term "cooperative project" in the case of an agreement entered into with a non-NATO country under subsection (j) of Section 27, AECA, means a jointly managed arrangement, described in a written agreement among the parties, which is undertaken in order to enhance the ongoing multinational effort of the participants to improve the conventional defense capabilities of the participants and which provides:

a. For one or more of the other participants to share with the US the costs of research, development, testing, evaluation, or joint production (including follow-on support) of certain defense articles;

c. An estimate of the full cost of the cooperative project, with an estimate of the part of the full cost to be incurred by the USG for its participation in such a cooperative project, including an estimate of the costs to be incurred as a result of waivers of charges which would otherwise be required under AECA Secs 21(e)(1)(A) and 43(b) and an estimate of that part of the full costs to be incurred by the other participants;

d. An estimate of the dollar value of the funds to be contributed by the US and each of the other participants on behalf of such a cooperative project;

e. A description of the defense articles and defense services expected to be contributed by the US and each of the other participants on behalf of such a cooperative project;

f. A statement of the foreign policy and national security benefits anticipated to be derived from such a cooperative project; and,

g. To the extent known, whether it is likely that prime contracts will be awarded to particular prime contractors or that subcontracts will be awarded to particular subcontractors to comply with the proposed agreement.

5. Pursuant to the requirements of Executive Order 11958, DSAA will consult with the Departments of State and Treasury regarding implementation of cooperative projects under AECA Sec 27 including waiver or reduction of charges, prior to Congressional certification.

140107 REQUESTS FOR OFFSET PROCUREMENT.

**

A. **Policy.** USG agencies may not enter into or commit US firms to any offset agreement. This policy also prohibits the use of USG funds to finance offsets. Any foreign government requesting offset arrangements in conjunction with FMS should be informed that the responsibility for negotiating offset arrangements and satisfying all related commitments resides with the US firm involved.

B. Offset Administrative Costs.

1. DFARS 225.7303-2 allows US contractors to recover, under FMS contracts based on LOAs financed wholly by customer cash or repayable FMF credits, offset administrative costs of any offsets which are associated with those contracts. These costs should be included, as part of the applicable line item unit cost, in P&A data and in estimated prices quoted in the LOAs (see also Section 70105.L).

2. It is the contractor's responsibility to inform the IA when estimated offset administrative costs have been included in the FMS pricing information provided; these costs should be included as early as possible, but before submittal of the LOA. Requests to include these costs after LOA acceptance will require LOA modification.

3. It is the responsibility of the IA to specify to DSAA, in the transmittal of an LOA (and of any subsequent modification or amendment to that LOA), when offset administrative costs have been included in a line item unit cost.

4. It is inappropriate to discuss with the foreign government the nature or details of an offset arrangement with a US contractor; however, the fact that offset administrative costs have been included in the P&A or LOA price estimate will be confirmed, should the customer inquire. The customer should be directed to the US contractor for answers to all questions regarding its offset arrangement, including the cost of administering the arrangement. IA involvement in any

discussion of these costs with the customer (beyond confirmation of their inclusion in price estimates) requires case-by-case review and approval by DSAA.

140108 RELEASE OF TECHNICAL DATA.

A. **General.** It is DoD policy to treat defense-related technology as a valuable and limited national security resource. Any export or re-export of defense related technical data of US origin to a foreign recipient for its indigenous defense requirements must be approved under AECA provisions. The principal controls are those provided under FMS procedures or export licensing for commercial transactions by DoS, Office for Defense Trade Controls (PM/DTC).

B. **Definition of Technical Data.** Technical data is defined in paragraph 140104.B. above. The most prominent category of technical data is described as a TDP. The TDP normally includes technical design and manufacturing information sufficient to enable the construction or manufacture of a defense item, component, modification, or to enable the performance of certain maintenance or production processes. It may include blueprints, drawings, plans, or instructions that can be used or adapted for use in the design, production, manufacture, or maintenance of the defense items or technology. USG rights to defense related technical data and TDPs range from complete USG ownership, to the possession of unlimited government rights, government purpose license rights, or limited rights of use of privately-owned data, to complete private ownership without any USG rights of use.

C. **Scope.** The provisions of this paragraph on release of technical data apply to those programs where an eligible foreign government seeks US origin technical data or a TDP for its use to meet its indigenous defense requirements or for potential retransfer of either defense items or technology to another foreign country for non-DoD use. These provisions do not apply to those programs between a US prime contractor and its foreign subcontractors or potential subcontractors when the arrangement is intended to further USG defense acquisition requirements. The provisions of the FAR and DoD Supplement thereto govern such arrangements for DoD acquisition.

D. Approval to Release Technical Data

1. **Approval of the DSAA.** All requests to acquire technical data under FMS procedures must be approved by DoD component concerned and the Director, DSAA. Accordingly, DoD component will assure that DSAA is provided an information copy of all requests from foreign governments for such technical data release.

2. **Special Requirements When Credit Financed.** LOAs for the sale of technical data for production purposes will normally be financed on a cash basis. In the exceptional case when an LOA for production technical data is approved for FMS credit financing under the AECA, notification must first be provided to the Congress by the Department of State pursuant to AECA Sec 42(b).

3. **Technical Data Related to Defense Articles Manufactured by Watervliet Arsenal.** Title 10 USC, Section 4542, prohibits the transfer of technical data from any government owned and operated defense plant manufacturing large caliber cannons (Watervliet Arsenal) to any foreign government, or assistance to any foreign government in producing any defense items currently being manufactured or developed in a government-owned, government-operated defense plant manufacturing large caliber cannons, unless the exceptional requirements of the statute are met. Headquarters, Department of Army must be consulted as to whether these requirements can be met before action may be taken to commit the USG to transfer such data.

4. **Types of Requests.** Requests for technical data and TDPs normally fall into one of three categories:

a. For use in operation and maintenance of items of US origin defense equipment which had been previously transferred to the recipient.

b. For use in production of the defense item, or component thereof, follow-on-development of the item/components or improvement of an item of US equipment (or derivations thereof), and

c. For study or evaluation purposes (for consideration of the desirability of a specific defense item for later request to the USG for authorization for production).

E. Channels for Transfer of Technical Data and TDPs.

1. **US Government-owned Technical Data and TDPs.** When requested by a foreign government for its indigenous defense requirements, USG-owned technical data and TDPs will only be released under FMS procedures. They will normally not be released unless it has been determined to be in the US interest to do so and alternative means of meeting the requirements have been reviewed and are considered to be less desirable. Such technical data and TDPs will be sold only as defined line items on FMS cases, and the line item will clearly identify the item of defense equipment to which the data applies. The LOA will define the purpose for which the data or TDP is released and the applicable limitations and restrictions on the purchaser's use of the data. Foreign governments are responsible for the control and use of data received. Accordingly, US-owned data required by foreign firms for authorized programs will be transferred through the appropriate foreign government.

2. **Privately-Owned Technical Data and TDPs for which USG Has Unlimited or Government Purpose Rights of Use.** Technical data and TDPs for which the USG holds unlimited or government purpose rights of use, and a US firm also holds associated rights, are preferred to be transferred on a government-to-government basis but may be transferred by the US firm holding associated rights, subject to USG approval through the export licensing process. If a government-to-government LOA is requested, the provisions of paragraph F below will be followed. If a direct commercial program transfer is requested by a foreign country, and the US firm holding associated rights desires to make such a transfer, the US firm must comply with the export licensing requirements of the Department of State. In addition, to facilitate the export licensing process the US firm should consult with the MILDEP holding rights of use in the technical data.

3. **All other Unclassified Technical data and Technical Data Packages.** The provision of all other categories of unclassified technical data and TDPs (i.e. where they are owned by a US firm or the USG has only limited rights) may be accomplished on a direct commercial basis subject to the US firm receiving a State Department approved export license.

4. **USG NC and Royalty Fees.** As detailed in Paragraph 140108 below, when data is transferred to a foreign country for reproduction purposes and the USG has financial investment in the development of that data, or development and production tools, the USG is, as required by DoDD 2140.2, to be reimbursed for any foreign production of the equipment components or derivatives thereof. This requirement applies whether the technical data and/or TDP is transferred under FMS by DoD or on a direct commercial basis by a contractor unless such fees have been waived or are exempted.

5. **Classified Data.** Classified technical data and TDPs will be transferred only through official government channel pursuant to DoDD 5200.1-R, DoDD 5220.22-M, and part 25 of the ITAR.

F. **LOAs for Technical Data and TDPs.** The LOA will cover, as a minimum, the full costs for preparation, reproduction, and handling of the technical data and TDP. In addition, if the technical data and/or TDP is intended to be used for production purposes, the LOA will include the appropriate fee for authorized production unless such fees have been waived or are exempted. This fee will be the established NC pro rata charge for MDE items or a royalty fee for non-MDE items as required by DoDD 2140.2. Guidelines for the royalty fee computation are included in Paragraph 140109 below. The applicable charge will be included as a separate line on the LOA * unless waived by the Director DSAA under the provisions of Paragraph 140109. The LOA will * clearly state (on the first page after identification of the item) the purpose of the TDP, as follows:

1. "This TDP is for production purposes."
2. "This TDP is for study purposes only - no production is authorized."
3. "This TDP is for operation and maintenance only - no production is authorized."

G. **Annotating Defense Trade Control Export Licenses.** For items where the technical data or TDP is owned by the USG and the program is for the recipient country's * indigenous requirements, the Defense Trade Control Export License(s) for proposal/evaluation/marketing data will be annotated with a proviso stating the requirement for the actual production technical data/TDP to be requested via FMS channels. This requirement does not apply to licenses pertaining solely to marketing data, nonproduction technical data, or data not owned by the USG.

H. **Sale of TDPs for Operation and Maintenance Purposes.**

1. **General.** TDPs will normally not be sold for the purpose of conducting O&M of US equipment. It will be sold for O&M only if there is no other viable means of ensuring that the US origin equipment can be maintained. TDPs will not be sold for this purpose unless the MILDEP is able to verify that the specific item of US equipment was provided to the foreign country through authorized transfer.

2. **Data Required by the DSAA.** If release of a TDP is requested for purposes of operation and maintenance of an item of US equipment which has been approved for sale to the requestor, DoD component having cognizance over the item will provide the Director, DSAA, information shown at Table 1401-1, for use in making a release determination. The data sheet should be forwarded to DSAA with the LOA.

3. **LOA Provisions.** The following note should be placed in those LOAs involving the sale of a TDP for operation and maintenance purposes only:

The technical data package offered herein is provided only for the purpose of operation and maintenance of the (defense equipment) transferred to (country) with USG approval. Should any new operation or maintenance procedures be developed by (country) for the (defense equipment), they will be shared without charge with the US program manager. In offering this FMS case to (country), the US Government makes no prior commitment or authorization for (country) to manufacture the defense equipment described therein. Separate US Government approval is required for such manufacture. The purchaser agrees that unless specific authorization is provided in writing from the US Government, the TDP will not be used for production.

I. Sale of TDPs for Production Purposes or Study Purposes.

1. **General.** If the item requested to be produced in a foreign country is in excess or long supply position in a MILDEP inventory or if foreign production would result in an adverse impact on the US mobilization base for items currently being produced in the US requests for technical data for foreign production or evaluation of the item will normally be denied. Referrals of requests to DSAA for production authorization should include the appropriate information relevant to the intended end use of the TDP. An official written communication is required from the Purchaser that states the intended end use of the TDP in every case. An LOA for release of TDPs for study purposes will not be offered unless DoD is willing to release the TDP for production purposes also.

2. **Data Required by DSAA.** In the event a TDP is requested for purposes of foreign production of an item of US defense equipment, the MILDEP having cognizance over the item will provide the Director, DSAA, the information shown at Table 1401-2, for use in making a release determination. The data sheet should be forwarded to DSAA with the LOA.

3. **Royalty Fee Guidelines.** When the purchasing country intends to use the TDP for production, a royalty fee will be assessed for each item produced unless such fees have been waived or are exempted. Procedures on royalty fee computations, LOA presentation, collection, and waiver considerations are included in Paragraph 140109 below. *

4. **LOA Provisions.** The MILDEPs shall include the applicable notes listed in a., b., and c. below in LOAs for sale of TDPs for study or production purposes:

a. **TDPs Provided for Study Purposes:**

The technical data package offered herein is provided strictly for study purposes only. In offering this FMS case to [country], the US Government makes no prior commitment or authorization for [country] to manufacture the defense equipment described therein. Separate US Government approval is required for such manufacture. If requested and approved, an LOA Amendment will be issued for the provision of a certified production technical data package and any applicable charges for its use for manufacture. *

b. **TDPs Provided for Indigenous Defense Production Purposes:**

(1) The technical data package offered herein is provided for the manufacture of [quantity] [defense equipment] in [country] for indigenous purposes only. Such manufacture may be accomplished either by the Government of [country] in its own government-owned or government-operated facilities or in designated in-country private commercial facilities.

(2) Any manufacture in excess of this quantity for indigenous defense purposes will require separate approval of the US Government and the execution of an LOA Notice of Modification.

(3) The information furnished under this LOA, and the product derived from the use of such information, shall not be disclosed or transferred to any third country, person, or organization without the prior written consent of the US Government and, where required, the execution of an LOA Modification.

(4) The use of technical data which will be provided under this LOA will be limited to that required for the manufacture of the equipment specifically authorized herein and its operation and maintenance. Information which has been acquired by the US Government without the unencumbered right to use and convey to others will not be furnished.

(5) It is understood that the furnishing of these technical data does not in any way constitute a license to make, use, sell, or transfer whatsoever any inventions, technical information, or know-how (hereinafter referred to as proprietary information) owned by third parties which may be described in the documentation.

(6) The US Government incurs no liability for any procurement, manufacture, use, or sale by the Government of [country] which makes use of any of the aforementioned proprietary information, or for any results derived from the use of the technical data furnished. The Government of [country] agrees to indemnify the US Government against any liability resulting from a claim asserted by the owner of any such proprietary rights in connection with such use by the Government of [country] of the documentation provided hereunder.

(7) The US Government will use its best efforts to furnish technical data that are accurate, adequate for the authorized purpose, current, and complete; however, the US Government does not guarantee the adequacy, accuracy, currency, or completeness of these data. Similarly, the US Government does not guarantee the accuracy, adequacy, currency, or completeness of any US industry documentation.

(8) The cost of the documentation provided hereunder does not include periodic updating (revisioning service), which may be requested under a separate LOA, if desired.

(9) Production Validation - The Government of [country] will permit US Government personnel access to government and contractor facilities, records, and storage sites to review the implementation of the requirements of this LOA. Such access will be permitted when mutually convenient, but within a reasonable period of time after the request. Visits will be accomplished under established visit procedures.

(10) Flowback of [country] Technical Data to the US:

(a) Technical Data - [country] will furnish or cause to be furnished the following technical data to the US Government at no cost to the US Government other than the cost of reproduction, preparation, and handling:

1. All technical data pertaining to changes, modifications, and improvements in the design of [defense equipment] made in the course of development, evaluation, production, operation, and maintenance of [defense equipment].

2. All technical data pertaining to manufacturing processes employed in the production of [defense equipment].

3. Technical data pertaining to changes proposed in the design of [defense equipment] but not adopted.

4. Notwithstanding 1., 2., and 3. above, if [country] incorporates an existing commercial item without modification of either the item or the [defense equipment] and if: (i) the item is not based in whole or in part on US technical data or on US design; and (ii) the item is not in whole or in part funded or financed by [country] directly or indirectly; and (iii) there is no development contract or subcontract between [country] and the supplier, then [country] will only be required, to the extent that it has the right to do so without incurring liability to others, to provide the US Government sufficient information for the US Government to evaluate the item, to procure it, to incorporate it into the system, and to operate, maintain, repair, overhaul, and modify it.

(b) Right to Use - [country] will grant or cause to be granted to the US Government a non-exclusive, irrevocable, royalty-free license to use and have used for US defense purposes, including security assistance, the technical data defined in (a)1, 2, and 3 above and any inventions (whether or not patentable) made in the course of activities covered by this LOA. Additionally, [country] will use its best efforts to obtain licenses on fair and reasonable terms to the US Government to use and have used the technical data defined in subparagraph (a)4 and patented inventions depicted in such technical data for US defense purposes, including security assistance.

(c) Contract Provisions - [country] will include suitable provisions in all pertinent program contracts, including a requirement to include those same provisions in all subcontracts, to meet the requirements of this section.

c. TDPs for Production Purposes which Authorize Third Country Sale:

(1) The technical data package offered herein is provided for the manufacture of [quantity] [defense equipment] in [country] for indigenous purposes only and [quantity] of [defense equipment] in [country] for subsequent transfer to [country name(s)]. Such manufacture may be accomplished either by the Government of [country] in its own government-owned or government-operated facilities or in designated in-country private commercial facilities.

(2) Any manufacture in excess of this quantity for indigenous defense purposes and as authorized in note (a) herein will require separate approval of the US Government and the execution of an LOA Modification. *

(3) The information furnished under this LOA, and the product derived from the use of such information, shall not be disclosed or transferred to any third country, person, or organization other than the Government(s) of [country name(s)] without the prior written consent of the US Government and, where required, the execution of an LOA Modification.

(4) The use of technical data which will be provided under this LOA will be limited to that required for the manufacture of the equipment specifically authorized herein and its operation and maintenance. Information which has been acquired by the US Government without the unencumbered right to use and convey to others will not be furnished.

(5) It is understood that the furnishing of these technical data does not in any way constitute a license to make, use, sell, or transfer whatsoever any

inventions, technical information, or know-how (hereinafter referred to as proprietary information) owned by third parties which may be described in the documentation.

(6) The US Government incurs no liability for any procurement, manufacture, use, or sale by the Government of [country] which makes use of any of the aforementioned proprietary information, or for any results derived from the use of the technical data furnished. The Government of [country] agrees to indemnify the US Government against any liability resting from a claim asserted by the owner of such proprietary rights in connection with such use by the Government of [country] of the documentation provided hereunder.

(7) The US Government will use its best efforts to furnish technical data that are accurate, adequate for the authorized purpose, current, and complete; however, the US Government does not guarantee the adequacy, accuracy, currency, or completeness of these data. Similarly, the US Government does not guarantee the accuracy, adequacy, currency, or completeness of any US industry documentation.

(8) Production Validation - The Government of [country] will permit US Government personnel access to government and contractor facilities, records, and storage sites to review the implementation of the requirements of this LOA. Such access will be permitted when mutually convenient, but within a reasonable period of time after the request. Visits will be accomplished under established visit procedures.

(9) The cost of the documentation provided hereunder does not include periodic updating [revisioning service], which may be requested under a separate LOA, if desired.

(10) Flowback of [country] Technical Data to the US:

(a) Technical Data - [country] will furnish or cause to be furnished the following technical data to the US Government at no cost to the US Government other than the cost of reproduction, preparation, and handling:

1. All technical data pertaining to changes, modifications, and improvements in the design of [defense equipment] made in the course of development, evaluation, production, operation, and maintenance of [defense equipment].

2. All technical data pertaining to manufacturing processes employed in the production of [defense equipment].

3. Technical data pertaining to changes proposed in the design of [defense equipment] but not adopted.

4. Notwithstanding 1, 2, and 3 above, if [country] incorporates an existing commercial item without modification of either the item or the [defense equipment] and if: (i) the item is not based in whole or in part on US technical data or on US design; and (ii) the item is not in whole or in part funded or financed by [country] directly or indirectly; and (iii) there is no development contract or subcontract between [country] and the supplier, then [country] will only be required, to the extent that it has the right to do so without incurring liability to

others, to provide the US Government sufficient information for the US Government to evaluate the item, to procure it, to incorporate it into the system, and to operate, maintain, repair, overhaul, and modify it.

(b) Right to Use - [country] will grant or cause to be granted to the US Government a non-exclusive, irrevocable, royalty-free license to use and have used for US defense purposes, including security assistance, the technical data defined in (a)1, 2, and 3 above, and any inventions (whether or not patentable) made in the course of activities covered by this LOA. Additionally, [country] will use its best efforts to obtain licenses on fair and reasonable terms to the US Government to use and have used the technical data defined in subparagraph (a)4 and patented inventions depicted in such technical data for US defense purposes, including security assistance.

(c) Contract Provisions - [country] will include suitable provisions in all pertinent program contracts, including a requirement to include those same provisions in all subcontracts, to meet the requirements of this section.

J. **Revisoning Services.** The sale of revisoning services, which provide for the updating of TDPs on a continual basis, may be offered only for TDPs which have been approved for transfer. A maximum of two years of revisoning services may be offered with the LOA which initially authorizes the TDP transfer. These services must be offered as a separate line item, and note 140108.I.4.b.(8)/140108.I.4.c.(9) must be amended accordingly. Subsequent sale of revisoning services requires separate LOA authorization and specific notes in the LOA.

1. If the TDP transfer notes in the basic LOA, specifying the Purchaser's rights and obligations regarding the use of the basic TDP, comply with the current version of the SAMM, and if the basic LOA is maintained in the active files and can be produced upon request, the following note will be used:

The revisoning services offered herein are intended for updating the Purchaser's existing [production/O&M/study] technical data package (TDP) furnished on FMS case [case designator], accepted [date]. All TDP notes supporting [case designator] are incorporated herein by reference and apply to the revisoning services transferred pursuant to this LOA.

2. If a previous revisoning services LOA updated the TDP notes to bring them into compliance with the current version of SAMM Section 1401, the updated notes (vice the original LOA) must be maintained in the active revisoning case file, and the following note will be used:

The revisoning services offered herein are intended for updating the Purchaser's existing [production/O&M/study] technical data package (TDP) furnished on FMS case [designator], accepted [date], and on revisoning service LOA [designator], accepted [date]. All TDP notes supporting [case designator of the revisoning services LOA which updated the TDP notes] are incorporated herein by reference and apply to the revisoning services transferred pursuant to this LOA.

3. If previous TDP transfer notes are no longer current on the matter of the Purchaser's rights and obligations regarding the use of the basic TDP, or if previous notes - even if adequate - cannot be produced and verified, the revisoning services LOA will contain the complete provisions required for initial TDP transfer.

K. **Reporting in the 1200 System.** For reporting purposes, the line on the LOA for the applicable royalty fee (and nonrecurring recoupment charge) will be reported as code R9D in the

1200 system. Technical data packages will be recorded in the 1200 system under generic code M1F pseudo NSN 020800000TDP. Revisioning services will be recorded under generic code M1F pseudo NSN 0208000TDPREV. Description: TDP Revision/Update Svc.

L. **Restrictive Markings on TDPs.** In all cases, care will be taken to insure that the TDP bears clear identifying marks stating any restrictions which indicate whether manufacturing is authorized or not authorized, as well as security classifications, which may apply. The restrictive markings will be applied to each piece of technical information provided, including drawings and aperture cards.

140109 ROYALTY FEE MANAGEMENT.

A. Guidelines.

1. **General.** Charges for the use of TDPs to be used to manufacture or produce items for non-USG use are referred to as royalty fees (see FMR). Royalty fees apply when there is a firm USG authorization to produce items for non-USG use. LOAs for TDPs, as a minimum, will:

a. Be constructed of two line items, that is, one for the TDP and a second line for the total royalty fee;

b. Include a planned production schedule, actual or estimated, as a supplemental condition against which estimated royalty fees will be assessed;

c. Contain a supplemental condition that authorizes US representatives to validate the accuracy of production when required, and

d. List and quantify production for approved third country production where such transfers have been authorized by the USG.

Production quantities authorization will normally require validation after no more than ten years.

2. Royalty Fee Computation.

a. For MDE items, the approved MDE nonrecurring cost recoupment charge is assessed for each item produced. For non-MDE items, a percentage surcharge is applied on the basis of the item's current DoD inventory price. The percentage surcharges are as follows:

(1) Where the foreign applicant intends to produce the article for "in-country" consumption only, a royalty fee of five percent of the latest or current US unit price for each complete unit produced in country.

(2) Where the DoD has specifically approved "in-country" production for third country sale, a royalty fee of eight percent of the latest or current US unit price for each complete unit produced in-country for third country sale.

b. When the production quantity is approved in the LOA, the NC charge or appropriate percentage of the current DoD inventory price in effect will be used as the royalty fee. Once established, the royalty fee will be effective for the production of the approved quantity and not subject to retroactive recalculation. For subsequent production quantities approved, the royalty fee will be recalculated based on the then most current DoD inventory price or NC charge. The price basis will exclude all FMS surcharges or FMS-unique factors. The authorized production of US defense items will normally not exceed a period of ten years.

c. Based on cost effective considerations, a royalty fee will not be assessed when the total royalty fee value is less than \$100 and when an LOA would otherwise have to be modified to include the royalty fee line.

3. **Reductions Waivers, and Exemptions.** The royalty fee may be reduced or waived when the Director, DSAA, determines that special circumstances warrant a specific exception:

a. The charge for "in-country" consumption may be waived when the foreign applicant is a current recipient of MAP or concessional FMS credit funds.

b. If the item to be produced is obsolete and no longer being manufactured for DoD is not available in the DoD inventories, the royalty fee may be reduced or waived.

c. Royalty fees may be reduced by the proportion of US manufactured components purchased from the US and incorporated in the end item being manufactured by the customer if it is demonstrated that a duplicate royalty fee would be assessed.

d. Any reduction or waiver of royalty fees is required to be approved in writing by the DSAA and the Office of the ASD (Comptroller).

e. Fair Pricing legislation exempted charging of NC or royalty fees for FMS LOAs that are fully financed with MAP Merger and/or Non-repayable FMS Credits. This exemption includes sales of TDPs for purposes of foreign production or coproduction of MDE for indigenous use. However, all units produced for third parties are subject to an eight percent royalty fee as third party transactions are not financed with USG grant funds.

4. **Billing of Royalty Fees.** The royalty fee will be automatically billed according to the payment schedule that will be based on a production schedule. Revised payment and production schedules will be formalized by an LOA Modification. If a production schedule is not available at the time of LOA preparation for an approved quantity, the Purchaser will have 12 months to provide a schedule. A supplemental condition will be placed in the LOA to (1) require that the production schedule be provided within 12 months for the quantity of items authorized for production by the LOA and (2) advise the customer that if no production schedule is provided then a bill for either one year production or 1/10 of the total authorized production, at the USG option, will be presented for payment. Ten months after LOA acceptance, DFAS-DE/I will request that the IA obtain a production schedule from the FMS Purchaser. If no reply is received from the customers within 45 calendar days of the date of the request, the MILDEP will issue a Modification and a bill for either one year production quantity or 1/10 of the total authorized production quantity will be presented by DFAS-DE/I for payment. Should the production quantity authorization be more or less than the normal ten year validation, the amount to be billed will be adjusted accordingly.

B. **Royalty Fee Collection.** DFAS-DE/I is the supporting activity or line manager for the royalty fee line. The TDP line will be delivery reported using normal FMS billing procedures. For the royalty fee line, DFAS-DE/I will be the official accounting station. The royalty fee line will be delivery reported and accounted for by DFAS-DE/I. DFAS-DE/I will maintain and liquidate obligations for the royalty fee line and deposit receipts according to the FMR. DFAS-DE/I will record commitments, obligations, disbursements, and performance. Financial data will be available in the DIFS data base and the MILDEPs will have normal access as with any other FMS case. DFAS-DE/I will also provide "FK" feedback as recorded in DIFS to the IA.

C. **Monitorship.** DFAS-DE/I will request the MILDEP to confirm the actual production schedule on an annual basis after acceptance of FMS cases. DSAA will determine the requirement

to spot check foreign production. If required, DSAA will select a sampling of country reported productions and request an SAO or other USG representative to inspect the in-country production facility to verify that royalty payments are commensurate with actual production. The sampling will be selected by DSAA based on recommendations by the IAs and DFAS-DE/I. The results of the inspection and any corrective action will be furnished to DSAA and a copy furnished to the applicable IA and DFAS-DE/I. DFAS-DE/I will report anticipated and actual collections of royalty fees through the DSAA (Q) 1112 Report to the DSAA Comptroller (Financial Management Division).

D. **Closure.** DFAS-DE/I will furnish the MILDEP a statement that all financial obligations have been met.

E. **TDPs Sold or Transferred via Other Sources.**

1. **Guidelines.** DFAS-DE/I will collect royalty fees associated with foreign production where TDPs were or are obtained by foreign governments through means other than FMS case and that are used for production purposes for the benefit of non-USG users. A documented country agreement to pay the royalty fee is required prior to collection. These procedures apply except when a waiver has been approved or in the unusual event that the US contractor pays to the MILDEP directly.

2. **Process.** When the royalty fee requirement and the associated assessment is identified, SAAC will:

- a. Establish a pseudo FMS case designator for control purposes;
- b. Advise the foreign government, through the SAO, that a production schedule is required within 45 days to DFAS-DE/I;
- c. Bill the foreign government according to the production schedule through the normal FMS billing process using a DD Form 645;
- d. Receive and review the annual production report required from the country;
- e. Verify through DSAA the accuracy of the production schedule on a sampling basis, and
- f. Report anticipated and actual collections to DSAA via the DSAA (Q) 1112 Report.

If a production schedule is not available, DFAS-DE/I will provide pertinent data to the SAO and request the SAO to obtain production status and a schedule of future productions. DFAS-DE/I will suspend the query and follow up for two three-month intervals. Further pursuit of the query should be requested of DSAA Operations.

The Security Assistance Database Programs (TMS, SAARMS) and the IDSS communications software (LINKPC) were developed to only operate on IBM PC compatible systems utilizing the 80386 (or higher) microprocessor, and running under the Microsoft Disk Operating System (MS-DOS) version 5.0 or higher. This should be considered a minimum operating configuration. It is acceptable to upgrade this configuration with larger hard disks, more memory, etc. However, when replacement or other new equipment purchases are warranted, the following minimum specifications apply:

1. PERSONAL COMPUTER SYSTEM

- a. IBM compatible with PENTIUM® Processor.
- b. 100MHz operating speed with minimum 256K hardware cache.
- c. 16 Megabytes Random Access Memory (RAM) (70ns or faster).
- d. 540 megabyte (MB) hard drive (less than 15 millisecond access speed, auto-locking heads). Equivalent removable media may be used.
- e. Super VGA color monitor. Minimum 15" diagonal screen measurement. (.28mm dot pitch). Capable of 1024x768 resolution non-interlaced and compatible video display adapter card with 64 bit operation and minimum 1MB on-board video RAM. Video card should also include appropriate video display driver software.
- f. One 5.25 inch high density 1.2MB floppy drive and one 3.5 inch high density 1.44MB floppy drive. 5.25 inch floppy drive may be omitted if there is no requirement to use 5.25 inch floppy disks.
- g. Full size desktop case or floor standing tower case. Eight internal expansion slots, (6/16 bit, 2/8 bit slots).
- h. Microsoft compatible mouse with software drivers or other pointing device with software drivers.
- i. Two serial ports, one parallel port.
- j. Full size 101 key keyboard.
- k. Surge protection power strip or other power protection device capable of delivering constant voltage and providing voltage spike protection. An uninterruptible power supply (UPS) is strongly recommended for use in locations where there are known electrical power supply problems; surges, brownouts, or unscheduled outages.

2. PRINTER

Hewlett-Packard Laserjet Series 5 or 100% compatible.

- a. Serial port and parallel port.
- b. Minimum 4MB memory.

- c. (OPTIONAL): OCR-A and OCR-B font print capability. Fonts may be permanently resident in the printer or installed with removable cartridges.

3. COMMUNICATIONS EQUIPMENT

Modems must conform to the current ITU (formerly CCITT) specifications for V.32bis/V.42bis and MNP Level 5 operation.

- a. Compatible with the full Hayes "AT" command set and support the special extended command set, as applicable.
- b. Support 300-14400 bits per second (bps). 28800 bps modems are also acceptable; however, it should be noted that connections from overseas locations cannot be reliably maintained at that speed.
- c. Combination data/fax modems are acceptable.

4. SYSTEMS SOFTWARE

Microsoft Disk Operating System (MS-DOS) version 6.22 or higher. The Security Assistance database programs have not been designed for or tested with non-MSDOS operating systems, to include, OS/2 Warp, or UNIX (and UNIX derivatives). The database programs also have not been tested for use with any disk compression programs (DOUBLESPEACE, STACKER, etc.) They have also not been tested under either the Microsoft WINDOWS 95 or WINDOWS NT operating system environments. They will operate under Microsoft WINDOWS 3.1 or WINDOWS for WORKGROUPS 3.11.

5. OPTIONAL EQUIPMENT/STANDARDS

- a. If a CD-ROM reader is acquired it should conform to the ISSO 9660 standard as a minimum. Access time should be less than 200 milliseconds and effective throughput should be 350 KBPS or greater. The interface bus should conform to the latest SCSI or enhanced IDE standards. Drives with a commercial designation of "triple speed," "quad speed," or higher speed designations are acceptable.
- b. Network architectures should conform to the ETHERNET standard (IEEE 802.3). Network operating systems shall be compliant with existing DoD and Federal standards. Architectural designs and design proposals for networks will be submitted to DSAA for approval prior to the expenditure of FMS and FMF administrative funds for acquisition.

M

MAAG	Military Assistance Advisory Group
MAC	Military Airlift Command (US Air Force)
MAG	Military Assistance Group
MAJCOM	Major Command (US Air Force)
MANPADS	Man-Portable Air Defense System
MAP	Military Assistance Program
MAPAC	Military Assistance Program Address Code
MAPAD	Military Assistance Program Address Directory
MASF	Military Assistance Services Funded
MASL	Military Articles and Services List(s) (for Material; and Training; IMET, FMS and NATO)
MCTL	Military Critical Technologies List
MDE	Major Defense Equipment
MFP	Major Force Program
MFO	Multinational Force and Observers
MILDEPs	US Military Departments
MILSBILLS	Military Standard Billing System
MILSCAP	Military Standard Contract Administration Procedures
MIL-SPEC	Military Specification
MILSTAMP	Military Standard Transportation and Movement Procedures
MIL-STD	Military Standard
MILSTEP	Military Supply and Transportation Evaluation Procedures
MILSTRAP	Military Standard Transaction Reporting and Accounting Procedures
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MIPR	Military Interdepartmental Purchase Request
MIRR	Material Inspection and Receiving Report (DD Form 250)
MIS	Management Information System
MISIL	Management Information System International Logistics (US Navy)
MOA	Memorandum of Agreement
MOD	Ministry of Defense (International equivalent of US DoD)
MOU	Memorandum of Understanding
MPS	Military Postal Service
MRI	MILSTRIP Routing Identifier
MSC	Military Sealift Command (US Navy)
MTBF	Mean Time Between Failure
MTMC	Military Traffic Management Command (US Army)
MTT	Mobile Training Team
MTTR	Mean Time to Repair or Return
MWO	Modification Work Order

N

NAD(S)	National Armaments Director(s) or Naval Aviation Depot (in context)
NAMSA	NATO Maintenance and Supply Agency
NAMSO	NATO Maintenance and Supply Organization
NATO	North Atlantic Treaty Organization
NAVCOCS	Navy Case Obligation Control System
NAVFAC	Naval Facilities Engineering Command
NAVILCO	Navy International Logistics Control Office (Philadelphia, Pennsylvania)
NC	Nonrecurring Cost
NCB	National Codification Bureau
NDP-1	National Disclosure Policy
NDPC	National Disclosure Policy Committee
NICP	National Inventory Control Point (US Army)
NIIN	National Item Identification Number
NIPARS	Nonstandard Item Repair Parts and Support (US Air Force)
NMDL	Navy Management Data List

NSA	National Security Agency
NSC	Naval Supply Center, or National Security Council (in context)
NSN	National Stock Number

*

O

OA	Obligation Authority
OBT	Observer Training
ODC	Office of Defense Cooperation
OJCS	Office of the Joint Chiefs of Staff (now Joint Staff)
OJT	On-the-Job Training
O&M	Operation and Maintenance
OMA	Operations and Maintenance, Army
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
OSP	Offshore Procurement
OT	Orientation Tour
OPR	Office of Primary Responsibility

P

PACAMS	Panama Canal Area Military Schools
PACOM	US Pacific Command
P&A	Price and Availability Data
PC&H/PCH&T	Packaging, Crating, & Handling, PC&H and Transportation
PCS	Permanent Change of Station
PD	Presidential Determination
PDM	Programmed Depot Maintenance, or Program Decision Memoranda (in context)
PKO	Peacekeeping Operations
PL	Public Law
PLOA	Psuedo Letter of Offer and Acceptance (FAA sales)
PLT	Procurement Lead Time
PM	Bureau of Politico-Military Affairs (Department of State) or Program/Project Manager
PME	Professional Military Education
POC	Point of Contact
POD	Port of Debarkation
POE	Port of Embarkation
POM	Program Objective Memorandum
PPBS	Planning, Programming, and Budgeting System

*

Q

QA	Quality Assurance
QAT	Quality Assurance Team
QTY	Quantity
QRR	Quarterly Requisition Report

R

RAD	Required Availability Date
R&D	Research & Development
RCN	Record Control Number
RCS	Report Control Symbol
RDD	Required Delivery Date
RDT&E	Research, Development, Test, and Evaluation (Engineering)
RFP	Request for Proposals
RMS	Resource Management Systems

ROD	Report of Discrepancy
RSI	Rationalization, Standardization, Interoperability
RSN	Record Serial Number

S

SA	Security Assistance
SAAC	Security Assistance Accounting Center (part of DFAS-DE/I)
SAAM	Special Assignment Airlift Mission
SAMAS	Security Assistance Manpower Accounting System
SAMIS	Security Assistance Management Information System (US Air Force)
SAMM	Security Assistance Management Manual (DOD 5105.38-M)
SAN	Security Assistance Network
SAO	Security Assistance Organization/Office
SAPRWG	Security Assistance Program Review Working Group
SAR	Selected Acquisition Report
SATP	Security Assistance Training Program
SDAF	Special Defense Acquisition Fund
SecDef	Secretary of Defense
SecNav	Secretary of the Navy
SET	Specialized English Training
SII	Special Instructions Indicator
SME	Significant Military Equipment
SNAP	Simplified Nonstandard Acquisition Process (Army process)
SOCOM	US Special Operations Command
SOFA	Status of Forces Agreement
SOUTHCOM	US Southern Command
STL	Standardized Training Listing

T

TAC	Type of Address Code
TAFT	Technical Assistance Field Team
TAT	Technical Assistance Team
TCN	Transportation Control Number
TDP	Technical Data Package
TDY	Temporary Duty
TL/TLW	Termination Liability/ TL Worksheet
TLA	Travel and Living Allowance
TO	Technical Order
TOA	Total Obligational Authority or Transportation Operating Agency (in context)
TOR	Terms of Reference
TPA	Total Package Approach
TRADOC	Training and Doctrine Command (US Army)
TRANSCOM	US Transportation Command (includes MAC, MSC, MTMC)

*

U

UCOM	US Unified Command
U/I	Unit of Issue
U/P	Unit Price
UMMIPS	Uniform Materiel Movement and Issue Priority System
UN	United Nations
UND	Urgency of Need Designator
UNLOA	United Nations Letter of Assistance
USA	US Army
USAF	US Air Force

USAMC	US Army Materiel Command/US Air Mobility Command
USARSA	US Army School of the Americas
USASAALA	US Army Security Assistance Agency - Latin America
USASAC	US Army Security Affairs Command
USC	US Code (as in law)
USCENTCOM	US Central Command
USD(A&T)	Under Secretary of Defense for Acquisition and Technology
USD(P)	US Disclosure Policy/Under Secretary of Defense for Policy
USG	US Government
USMC	US Marine Corps
USML	US Munitions List
USN	US Navy

V

[None at this time.]

W

WCN Worksheet Control Number

X Y Z

[None at this time.]

Co-Development - A development project to which more than one government contributes efforts or resources.

Collection - Receipt in US dollar currencies, checks, or other negotiable instruments from a customer country to pay for defense articles or services, based on accepted LOAs.

Commercial Sale - Sale made by US industry directly to a foreign buyer which is not administered by the DoD through FMS procedures.

Commercial-Type Items - Any items, including those expended or consumed in use which, in addition to military use, are used and traded in normal civilian enterprise and which are, or can be, imported or exported through normal international trade channels.

Commitment - Any communication between a responsible US official and a representative foreign official (including officials of any international organization or supra-national authority) which reasonably could be interpreted as being a promise that the US will provide a foreign government (including international organizations or supra-national authorities) with funds (including long term credit assignments), goods, services, or information.

Commodity Group - A grouping or range of items which possess similar characteristics, have similar applications, or are susceptible to similar supply management methods.

Commonality - A quality that applies to material or systems possessing like and interchangeable characteristics enabling each to be used or operated and maintained by personnel trained on the other without additional specialized training, or having interchangeable repair parts or components, and applying to consumable items interchangeably equivalent without adjustment.

Compatibility - The characteristics or ability of systems to coexist and function without mutual interference.

Completed Case - A delivered FMS case for which all collections have been completed, but for which an accounting statement has not been furnished to the Purchaser.

Concurrent Spare Parts (CSP) - Spare parts programed as an initial stockage related to a major item and normally delivered concurrently with the delivery of the major item.

Congressional Presentation Document (CPD) - The document presented annually to Congress, describing the proposed Military Assistance and Foreign Military Sales programs, and related SA programs, for Congressional authorizations and appropriations.

Consolidated Data Report (CDR) - Report submitted by the US Diplomatic Mission, which updates the information contained in the previously submitted AIASA, for preparation of the CPD. The CDR also is known as the CPD update.

Continuing Resolution Authority (CRA) - Authority to obligate funds against the MAP or IMET, credit financing, or other related appropriation for the new fiscal year under Continuing Resolution Authority granted by Congress in a Joint Resolution making temporary appropriations prior to passage of the regular appropriation act.

Contract Field Services (CFS) - Services performed by commercial or industrial companies. These services provide instruction and training on the installation, operation, and maintenance of DoD weapons, equipment, and systems.

Conventional Arms Transfers - The transfer of nonnuclear weapons, aircraft, equipment, and military services from supplier states to recipient states. The US has viewed arms transfers as a useful foreign policy instrument to: strengthen collective defense arrangements, maintain regional military balances, secure US bases, and compensate for the withdrawal of troops. US arms are transferred by grants, by government-to-government sales under FMS, and by private commercial sales.

Cooperative Logistics Supply Support Arrangements (CLSSA) - FMSO I pre-stockage ** and storage and FMSO II consumption LOAs designed to provide responsive standard secondary item supply support for US-origin equipment which is in allied and friendly country inventories. [See SAMM Chapter 7]

Cooperative Logistics Support Arrangement - The combining term for procedural arrangements (cooperative logistics arrangements) and implementing procedures (supplementary procedures) which together support, define, or implement cooperative logistics understandings between the US and a friendly foreign government under peacetime conditions. [JCS Pub 1]

Cooperative Projects - Jointly managed arrangements between the US and a NATO member country (or countries) or a specific non-NATO country (or countries). These projects, which must be described in a written agreement, provide for the cooperative sharing of the costs of research, development, testing, evaluation, or joint production (including follow-on support) of specific defense articles. With NATO member countries, these projects are designed to further the objectives of standardization, rationalization, and interoperability (RSI). Similar projects with non-NATO member countries serve to enhance the ongoing multinational effort of the participants to improve their conventional defense capabilities. Waivers or reduction of FMS charges (e.g., non-recurring cost recoupment charges, asset use charges and administrative charges are authorized for such projects since they are not normally implemented through the FMS system [Sec. 27, AECA]

Cooperative Research and Development - Any method by which governments cooperate to make better use of their collective Research and Development resources to include technical information exchange, harmonizing of requirements, co-development, interdependent R&D, and agreement on standards.

Coproduction (International) - Method by which items intended for military application are produced or assembled under the provisions of a cooperative agreement that requires the transfer of technical information and know-how from one nation to another. [Draft DoDD 2000.9]

Country Liaison Officer (CLO) - An officer or non-commissioned officer (NCO) of a foreign military establishment selected by his or her government and attached to a MILDEP or DoD agency for the primary purpose of helping administer trainees from his or her country. For administrative purposes, the CLO is considered to be in a trainee status.

Country Team - Senior members of USG agencies assigned to a US diplomatic mission overseas, and subject to the direction and supervision of the Chief, US Mission (Ambassador). Team members coordinate USG political, economic, and military activities and policies in the host country.

Credit - Transactions approved on a case-by-case basis by the Departments of State, Treasury and Defense, which allow repayment of military export sales for periods beyond 120 days after delivery of materiel or performance of service. [Sections 23 and 24, AECA]

E

Economic Support Fund - Program by which economic assistance is provided on a loan or grant basis to selected foreign governments which are of strategic concern to the US. ESF is used to finance imports of commodities, capital, or technical assistance in accordance with terms of a bilateral agreement or for budgetary support. This enables recipients to devote more resources to defense and security purposes without serious economic or political consequences.

Eligible Recipient (FMS) - Any friendly foreign country or international organization determined by the President to be eligible to purchase defense articles and defense services, unless otherwise ineligible due to statutory restrictions. [Section 3, AECA]

Eligible Recipient (MAP) - Any foreign country or international organization determined by the President to be eligible to receive military assistance, unless otherwise ineligible due to statutory restrictions. [Section 508, FAA]

End Item - A final combination of end products, component parts, or other materiel which is ready for its intended use; e.g., ship, tank, mobile machine shop, aircraft. [JCS Pub 1]

Eurogroup - European nations working together within NATO to make a better coordinated contribution to the common defense effort and thus strengthen the Alliance.

Extended Training Service Specialists (ETSS) - DoD military and civilian personnel technically qualified to provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems. ETSS are attached to the SAO but are not listed on the Joint Table of Distribution (JTD). ETSS may be provided for up to one year, unless a longer period is specifically approved by DSAA.

English Comprehension Level (ECL) Examination - A test of foreign military student proficiency in English listening and reading. A minimum entry level for each course is set by the MILDEPs on the basis of course difficulty and hazard factors.

Excess Defense Articles - Defense articles owned by the USG and not procured in anticipation of military assistance or sales requirements, or pursuant to a military assistance or sales order, which are in excess of the AFAO and Approved Force Retention Stock of all DoD components at the time such articles are dropped from inventory by the supplying agency for delivery to countries or international organizations. [Sec. 644(g), FAA]

Expendables - Supplies which are consumed in use, such as ammunition, paint, fuel, cleaning and preserving materials, surgical dressing, drugs, medicines, etc., or which lose their identity, such as spare parts. Sometimes referred to as consumable supplies and material. [JCS Pub 1]

Expenditure Authority (under FMS) - A document or authority from DFAS-DE to the IA which allows expenditures against obligations previously recorded against an FMS case. The disbursing activity must ensure that cash is available prior to processing the disbursement.

Expenditures - See Cash Disbursements.

Extended Offer - A new FMS offer for which a reply from the buyer has not been received within the time limit specified on the letter of offer which is still in effect pending clarification of its status.

F

Feasibility Study - Carried out by industry, government agencies, or a combination of both to determine the feasibility of developing and producing a defense article within available resources. The study identifies areas of technical risk, recommends characteristics, and gives the optimum balance between performance, cost, and development time. The study also indicates areas where advances are likely to be necessary for success. It indicates the means by which the recommended solution will be achieved, suggests a program for project definition, development, and production with a preliminary estimate of the costs for these stages.

Federal Financing Bank Financed Sale - Sale of defense articles or services financed by credit supplied by the Federal Financing Bank. The sale may be made by DoD or directly by US industry. US industry sales are subject to DoD approval.

Field Training Services or FTS - Engineering and technical services or contract field services.

Financing, Type of - The method by which the USG is authorized to sell defense articles and services under the AECA (e.g., cash with acceptance, dependable undertaking, credit). The type of financing is reflected through entry of the proper term(s) of sale on the LOA.

Five-Year Defense Program or FYDP - The program summarizing the SECDEF's plans and programs for DoD.

Foreign Affairs Administrative Support or FAAS - Provides, on a reimbursable basis at the Washington level, administrative services to USG offices, including SAOs, located overseas. Services are provided by FAAS personnel of DoS, including: personnel, budget and fiscal, general services, communications, security and guard, and management. The specific services required are the basis of an agreement between State and the requesting agency. Charges are based on the amount of service received with each agency, including State, paying its share.

Foreign Liaison Officer or FLO - An official representative, either military or civilian, of a foreign government or international organization stationed in the US normally for the purpose of managing or monitoring SA programs.

Foreign Military Sales or FMS - That portion of US security assistance authorized by the AECA, as amended, and conducted on the basis of formal contracts or agreements between the USG and an authorized recipient government or international organization. FMS includes government-to-government sale of defense articles or defense services, from DoD stocks or through purchase under DoD-managed contracts, regardless of the source of financing.

Foreign Military Trainees or FMT - Foreign military and associated civilian defense personnel receiving training under FMS or IMET, also referred to as International Military Students (IMS).

Foreign Training Officer or FTO - The US military officer or federal civilian employee named to coordinate and monitor the local foreign training program. The FTO provides required administrative support for foreign students at the training installation or activity level, and plans, coordinates and implements the DoD Informational Program (IP), also referred to as the IMS Officer (IMSO).

Formal Training - Training (including special training) in an officially designated course, administered according to an approved program of instruction. This training generally leads to a specific skill in a certain military occupational specialty.

G

Generic Code - Represents the type of materiel or services according to budget activity or project account classification.

Grant Aid - Assistance rendered under authority of the FAA for which the US receives no dollar reimbursement. Currently consists of nonreimbursable MAP and IMET. Also see Military * Assistance Program.

H

Host Nation Support - Civil and military assistance provided by host nations to allied forces and organizations in peace, transition to war, and wartime.

Human Rights - The right to be free from governmental violations of the integrity of the person; the right to the fulfillment of such vital needs as food, shelter, health care, and education; and the right to enjoy civil and political liberties.

I

Identifier, LOA - A unique identifier assigned to an LOA for the purpose of identification, accounting, and data processing of each accepted Offer. The identifier consists of the country code, implementing agency code, and the LOA designator.

IMET Order - Document issued by DSAA to authorize the MILDEPs to expend funds for IMET funded training including English language equipment and materiel.

Implementation Date - Date on which FMS case supply action is first authorized.

Implementing Agency - The DoD Component responsible for the execution of programs under the AECA or FAA of 1961, as amended. *

Informational Program or IP - Provides for foreign students, information pertaining to the United States; its social, cultural, and political institutions; and its people and their ways of life. It further increases foreign students' awareness of US commitment to basic principles of internationally-recognized human rights.

Interchangeability - Two or more items possess such functional and physical characteristics as to be equivalent in performance, fit, and durability, and either is capable of being used without alteration of the items or of adjoining items, except for adjustment.

Initial Deposit - Money furnished to the USG for the credit of the Treasurer of the United States at the time of acceptance of an LOA or Amendment.

Interfund Billing System or IBS - Under IBS, the selling activity will credit the appropriation or fund which owns the materiel or finances the accessorial charges at the time of billing the ordering activity and charge the funds of the ordering activity. IBS normally encompasses supply system sales and purchases of materiel, including perishable subsistence, bulk petroleum, oil, lubricants, and into-plane aviation fuels issues. Reimbursable sales will be billed at the time items are dropped from inventory except that billings for sales under FMS and MAP will be based on constructive delivery. [DoDI 7420.12]

International Logistics - The negotiating, planning, and implementation of supporting logistics arrangements between nations, their forces, and agencies. It includes furnishing logistic support (major end items, materiel, or services) to, or receiving logistic support from, one or more friendly foreign governments, international organizations, or military forces, with or without reimbursement. It also includes planning and actions related to the intermeshing of a significant element, activity, or component of the military logistics systems or procedures of the US with those of one or more foreign governments, international organizations, or military forces on a temporary or permanent basis. It includes planning and actions related to the utilization of US logistics, policies, systems, or procedures to meet requirements of foreign governments, international organizations, or forces. [JCS Pub. 1]

International Military Education and Training Program - Provides training to selected foreign military and defense associated civilian personnel on a grant basis. IMET is authorized by the Foreign Assistance Act of 1961, as amended.

International Traffic in Arms Regulation or ITAR - A document prepared by the Bureau of Politico-Military Affairs, Department of State, providing licensing and regulatory provisions for the export of defense articles, technical data and services. The ITAR also contains the US Munitions List. (22 CFR 120-130).

Invitational Travel Orders or ITOs - A written authorization for foreign personnel to travel to, from, and between US activities for training under a funded IMET or FMS program.

J

Joint Security Assistance Memorandum - A Joint Strategic Planning System document providing US military views on alternate funding levels projected for US financed SA program elements. The JSAM is based on individual US Diplomatic Mission and SAO submissions of the AIASA and the JSPD/SA, as well as Unified Command comments on both.

Joint Strategic Planning Document - This document contains a comprehensive appraisal of the military threat to the US, a statement of recommended military strategy to attain the objectives, and a summary of the JCS planning force levels that could execute, with reasonable assurance, the military strategy. It will incorporate an initial appraisal of the risk associated with programed force levels and recommendations for changes in the prior consolidated guidance.

Joint Strategic Planning Document Supporting Analysis (JSPDSA) - That part of the JSPD which is submitted by the SAO to address planning within a specific country.

L

Language Training Detachment - DLIELC personnel with duty in a foreign country or in CONUS on military installations, away from the Center. They serve as consultants or instructors in English as a foreign language.

Lease - An agreement for temporary transfer, with or without a rental charge, of the right of possession and use of a defense article to an FMS eligible foreign government or international organization, with the transferee agreeing to maintain, protect, repair, or restore the article, under authority of Chap 6, AECA.

Letter of Offer and Acceptance or LOA - See Acceptance, Letter of Offer and.

Letter of Request or LOR - A written message or letter request from eligible FMS participants for the purchase of defense articles or services.

License, Exclusive; Non-Exclusive - A license covering a patent, technical or proprietary data, technical assistance, know-how, or any combination of these, granted by a US firm to a foreign firm or government to produce, co-produce, or sell a defense article or service within a given sales territory without competition from any other licenses or from the licensor. A non-exclusive license is a license as described above, except that competition may be permitted with other licensees or the licensor.

Licensed Production - Production based on agreements by US commercial firms with international organizations, foreign governments, or foreign commercial firms. Sale, under FMS, of a TDP for production purposes also results in licensed production.

Living Allowance - Authorized allowance paid to a foreign student while in IMET training.

Loan - An agreement for temporary transfer of the right of possession and use of a defense article not acquired with military assistance funds to a foreign government or international organization, at no rental charge to the transferee, with the transferor US Military Department being reimbursed from MAP funds, under authority of FAA Section 503.

Logistics Support Charge or LSC - A charge based on the AECA requirement for full cost recovery. The LSC is intended to recover the cost of support involved in providing the spares and other items required to maintain a weapon system,. It is applied by DFAS-DE to delivery costs for those lines in FMS cases which have been identified as support lines based on the generic code.

M

Major Defense Equipment - Any item of significant military equipment on the USML having a nonrecurring research and development cost of more than \$50 million or a total production cost of more than \$200 million.

Major Item Line - A program line for which the requirement is expressed in quantity and in dollars. These lines are identified in the MASL by a unit of issue other than dollars (XX).

MAP Order - Document formerly issued by DSAA to authorize and direct the delivery of defense articles or services to designated recipients. MAP orders were issued for approved and funded MAP and IMET articles and services (e.g., materiel, training, construction, supply operations, administrative expenses).

Memorandum of Understanding - A written understanding between governments or international agencies setting forth the terms under which they will cooperate in the performance of certain work such as research, development, production, or utilization. The MOU usually sets down, in broad terms, the objectives of the program, the work to be performed by each participant and its financing, the rights to technical data and patents to be acquired, and other elements concerned with the performance of the program.

Military Articles and Services List or MASL - Catalog of materiel, services, and training used in the planning and programming of MAP, IMET, and FMS. Separate MASLs are maintained for IMET and FMS training to disseminate course availability, price, and duration.

Military Assistance Program or MAP - That portion of the US SA authorized by the FAA of 1961, as amended, which provides defense articles or commodities and defense services to recipients, generally on a nonreimbursable (grant) basis. Also see Grant Aid. **

Military Assistance Program Address Directory or MAPAD - See DoD Activity Address Directory System.

Military Civic Action - The use of preponderantly indigenous military forces on projects useful to the local population at all levels in education, training, public works, agriculture, transportation, communications, health, sanitation, and other areas contributing to economic and social development, which also improve the standing of the local military forces with the population.

Military Export Sales - Sales of defense articles and services made from US sources to foreign governments, foreign private firms, and international organizations, whether made by DoD or by US industry. Such sales generally fall into two major categories: Foreign Military Sales and Commercial Sales. *

Military Standard Billing System or MILSBILLS - Provides data elements and codes, standard mechanized procedures and formats to be used by DoD components for billing, collecting, and related accounting for sales from stock, including direct deliveries. The mechanized procedures apply to MAP and FMS as outlined in DoDI 7420.12 (regarding Interfund Billing System). [DoDD 4000.25]

Military Standard Contract Administration Procedures or MILSCAP - Provides uniform procedures, rules, formats, time standards, and standard data elements and codes for the interchange of contract-related information between and among DoD components and contractors. [DoDD 4000.25]

Military Standard Requisitioning and Issue Procedures or MILSTRIP - A uniform DoD procedure to govern requisition and issue of materiel within standardized priorities. [JCS Pub 1]

Military Standard Transaction Reporting and Accounting Procedures or MILSTRAP - prescribes uniform procedures, data elements, codes, documents, and time standards for the flow of inventory accounting information pertaining to receipt issue and adjustment actions between inventory control points, stock control activities, storage sites, and posts or bases. [DoDD 4000.25]

Military Standard Transportation and Movement Procedures or MILSTAMP - Standard transportation data, documentation, and control procedures applicable to cargo movements in the DoD transportation system. [JCS Pub 1]

Military Supply and Transportation Evaluation Procedures or MILSTEP - provides a standard method for the preparation and collection of basic data necessary to measure supply system performance and transportation effectiveness. [DoDD 4000.25]

Mission Analysis - A process to determine the operational capabilities of military forces that are required to carry out assigned missions, roles, and tasks in the face of the existing or postulated threat with an acceptable degree of risk. Having ascertained the military forces required, a comparative assessment is made between those available and those required in order to identify the qualitative and quantitative deficiencies that may be related to the element of risk involved.

Mission Area - A mission area is a grouping of military activities by mission-related functions.

Mission Need - A statement based on a mission analysis identifying in broad outline a quantitative or qualitative operational deficiency that cannot be solved satisfactorily with existing or planned forces or equipment.

Mobile Training Team or MTT - Team of US DoD personnel on temporary duty in a foreign country for the purpose of training foreign personnel in the operation, maintenance, or support of defense equipment, as well as training for general military operations. MTTs may be funded from either FMS or IMET Programs. [AFM 50-29]

Modification, LOA - An administrative or price change to an existing LOA, without revising the scope.

Munitions List - The USML is an enumeration of defense articles and defense services published in the ITAR (22 CFR 121).

N

NDP-1 or National Policy and Procedures for the Disclosure of Classified Military Information to Foreign Governments and International Organizations (U)
[Short Title: National Disclosure Policy] - National policy, including disclosure criteria and limitations, definitions of terms, release arrangements, and other guidance required to release classified US military information to foreign governments and international organizations. Provides for interagency procedures for implementation of that policy.

O

Obligational Authority or OA - Under FMS, authority in DD Form 2060 format for a given FMS case, passed from DFAS-DE to the IA which allows obligations to be incurred against a country's Trust Fund in an amount not to exceed the value of the OA.

Obligations - Dollar values of orders placed, contracts awarded, services received, and similar transactions during a given period requiring future payment of money. Such amounts include payments for which obligations previously have not been recorded, and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations.

Observer Training - Special training conducted to permit foreign students to observe US military techniques and procedures.

Offer Date - The date which appears on the offer portion of LOAs and which indicates the date on which an FMS offer is made to a foreign buyer.

Offset Agreement - An agreement, arrangement, or understanding between a US supplier and a non-US Purchaser under which the supplier agrees to purchase or acquire, or to promote the purchase or acquisition by other US persons of, goods or services produced, manufactured, grown, or extracted, in whole or in part, outside the US in consideration for purchases of defense articles or services from the supplier. A US person means an individual who is a national or permanent resident alien of the US and any corporation, business association, partnership, trust, or other judicial entity incorporated, or permanently residing, in the US. (reference Sec 732, PL 103-236) **

On-the-Job Training or OJT - Training devoted to the practical application of a previously achieved skill.

Open Sales Case - An FMS case is designated open as long as any portion of the transaction is incomplete; that is, delivery of materiel, performance of services, financial transactions, or rendering of the final statement of accounts. *

Open Sales Offer - An FMS offer made to a foreign buyer which is pending acceptance.

Operation and Maintenance, or O&M, Costs - Costs associated with equipment, supplies, and services required to train, operate, and maintain forces in a recipient country, including cost of spare parts other than concurrent spares and initial stockages, ammunition and missiles used in training or replacements for such items expended in training or operations, rebuild and overhaul costs (excluding modernization) of equipment subsequent to initial issue, training and other services that do not constitute investment costs, and administrative costs associated with overall program management and administration.

Orientation Tours - Tours arranged for key foreign personnel for the purpose of orientation and indoctrination.

P

Paramilitary Forces - Forces or groups which are distinct from the regular armed forces of any country, but resembling them in organization, equipment, training, or mission.

Pipeline - That portion of (a) approved and funded MAP articles and services, and (b) accepted FMS orders for defense articles and services, for which delivery, either constructive or actual, has not occurred, or services have not been rendered.

Planning, Programing, and Budgeting System - An integrated system for the establishment, maintenance, and revision of the FYDP and the DoD budget.

Price and Availability, or P&A, Data - Prepared by the MILDEPs, DSAA, and other DoD components in response to a foreign government request for preliminary data for the possible purchase of a defense article or service. P&A data are not considered valid for the preparation of an LOA. Furnishing of this data does not constitute a commitment for the USG to offer for sale the articles and services for which the data are provided.

Program Decision Memorandum - A document which provides SECDEF decisions on the POM and the Joint Program Assessment Memorandum (JPAM).

Progress Payments - Payments to contractors or DBOF activities as work progresses under a contract, on the basis of cost incurred or percentage of completion, or of a particular stage of completion, accomplished prior to actual delivery and acceptance of contract items.

Psuedo Letter of Offer and Acceptance, or PLOA - An LOA, designed for sales of ** defense articles or services under the AECA, which has been modified to accommodate sale of defense commodities or services under the FAA of 1961, as amended.

R

Reappropriation - Process whereby Grant Aid funds, which at the end of the fiscal year are not reserved or obligated, are made available by the Congress for use in the subsequent fiscal year.

Reciprocal Defense Procurement. Procurement actions which are implemented under MOUs between the US and participating nations whereby the participants agree to effect complementary acquisitions of defense articles from each other's country.

Record Serial Number or RSN - A line item indicator on the LOA which is perpetuated in the DD Form 645 billing document.

Recoupments - Adjustments or cancellations of outstanding MAP orders in prior year program accounts which generate additional funds for current year operations.

Redistributable MAP Property - MAP property which has been declared by the recipient to the US as no longer needed for the purposes for which furnished.

Reimbursements - Funds realized from the sale of MAP-owned property, such funds being deposited to MAP accounts and available for programing.

Repair and Replace - Procedure whereby CLSSA customers return repairable carcasses to the US and receive a serviceable replacement without awaiting the normal repair cycle timeframe. Replacement involves an exchange of a customer-owned unserviceable item with a serviceable customer-owned item held by the US. Countries are initially charged the estimated repair cost, with adjustment to the actual repair cost upon completion of repair of the unserviceable item.

Repair and Return - Procedure by which eligible foreign countries return unserviceable repairable items for entry into the US MILDEP repair cycle. Upon completion of repairs, the same item is returned to the country and the actual cost of the repair is billed to the country.

S

Security Assistance Organization/Office - The generic term SAO encompasses all DoD elements, regardless of actual title, located in a foreign country with assigned responsibilities for carrying out security assistance management functions.

Security Assistance - Group of programs authorized by the FAA of 1961, as amended, and the AECA as amended, or other related statutes by which the US provides defense articles, military training, and other defense related services, by grant, credit, or cash sales, in furtherance of national policies and objectives. [JCS Pub 1]

Significant Military Equipment or SME - Those defense articles and services on the USML in the ITAR which are preceded by an asterisk. SME are articles which require special export controls because of their capacity for substantial utility in the conduct of military operations.

Specialized English Terminology - Instruction conducted at DLIELC for FMTs who have attained the required ECL to develop vocabulary skills for entry into both hazardous and highly technical courses.

STANAG or Standardization Agreement - The record of an agreement among nations to adopt like or similar military equipment, ammunition, supplies and stores; and operational, logistics, and administrative procedures. National acceptance of a NATO allied publication issued by the Military Agency for Standardization may be recorded as a Standardization Agreement.

T

Teaming Arrangement - A agreement of two or more firms to form a joint venture to act as a potential prime contractor; or an agreement by a potential prime contractor to act as a subcontractor under a specified acquisition program; or an agreement for a joint proposal resulting from a normal prime contractor-subcontractor, licensee-licensor, or leader company relationship.

Technical Assistance Field Team or TAFT - Team of DoD personnel deployed under FMS on PCS status, normally for one year or longer, to a foreign country to train local defense cadre personnel to operate, maintain, and employ defense equipment, and in other non-equipment specific military skills.

Technical Assistance Team or TAT - Team of DoD personnel deployed to a foreign country on TDY status to place into operation, maintain, and repair equipment provided under FMS or MAP programs.

Technical Data - Recorded information, regardless of form or characteristic, of a scientific or technical nature. Examples of technical data include research and engineering drawings and associated lists, specifications, standards, process sheets, manuals, technical reports, catalog item identifications, and related information and computer software documentation.

Technical Data Package or TDP - The most prominent category of technical data is described as a TDP. The TDP normally includes technical design and manufacturing information to enable the construction or manufacture of a defense item component, or to enable the performance of certain maintenance or production processes. It may include blueprints, drawings, plans, or instructions that can be used or adapted for use in the design, production, manufacture, or maintenance of defense items or technology.

Test Control Officer or TCO - US military or civilian personnel designated to administer, supervise, and control ECL testing and test materials. Must be a US citizen, not a foreign national "local hire" civilian or foreign military officer or NCO.

Total Package Approach - A means of ensuring that FMS customers are given the chance to plan for and obtain needed support items, training, and services required to introduce and sustain the operation of major items of equipment.

Training (FMS) - Formal or informal instruction of foreign students in the US or overseas by officers or employees of the US, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational or information publications and media of all kinds, training aid, orientation, training exercise, and military advice to foreign military units and forces. [Sec. 47(5), AECA] Also see IMET.

Travel and Living Allowance or TLA - Those costs associated with transportation, excess baggage, and living allowance (per diem) of students which are authorized for payment under IMET.

Trust Fund (FMS) - A fund credited with receipts which are earmarked by law and held in trust, or a fiduciary capacity by the USG for use in carrying out specific purposes and programs in accordance with an agreement.

V

Value -

Under Section 644(m), FAA:

- (1) With respect to an EDA, the actual value of the article plus the gross cost incurred by the USG in repairing, rehabilitating, or modifying the article, except that for purposes of Section 632(d) such actual value shall not be taken into account:
 - (a) For major items the pricing guidance contained in DoD Instruction 7290.2 may be used to determine the value of EDA.
 - (b) For secondary items the inventory standard stock price is to be used.
- (2) With respect to a non-EDA delivered from inventory to foreign countries or international organizations under this Act, the acquisition cost to the United States Government, adjusted as appropriate for condition and market value.
- (3) With respect to a non-EDA delivered from new procurement to foreign countries or international organizations under this Act, the contract or production costs of such article, and;
- (4) With respect to a defense service, the cost to the USG of such service.
- (5) With respect to IMET, the additional costs incurred by the USG in furnishing such assistance.

Under Section 47(2), AECA:

"Value" means, in the case of an excess defense article, not less than the greater of: (1) the gross cost incurred by the USG in repairing, rehabilitating, or modifying such articles, plus the scrap value; or (2) the market value, if ascertainable.

W

Weapon System Life Cycle Cost - The period divided into phases, ranging from the first consideration of the need for a weapon system through the development and in-service stages down to phase-out and disposal.

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APPENDIX C

DoD DIRECTIVES, INSTRUCTIONS, AND MANUALS

The following is a list of DoD directives, instructions, and manuals pertaining to the security assistance program.

DoD Federal Acquisition Regulation Supplement

DoD Directive 1130.2 - *Management and Control of Engineering and Technical Services*

DoD Directive 1315.7 - *Military Personnel Assignments*

DoD Directive 1400.6 - *Civilian Employees in Overseas Areas*

DoD Instruction 1400.10 - *Employment of Foreign Nationals in Foreign Areas*

DoD Instruction 1400.11 - *Payments to Civilian Employees and Their Dependents During an Evacuation*

DoD Instruction 2000.8 - *Cooperative Logistics Supply Support Arrangements*

DoD Directive 2000.9 - *International Co-Production Projects and Agreements Between the US and Other Countries or International Organizations*

DoD Directive 2010.1 - *Support of International Military Activities*

DoD Directive 2010.5 - *DoD Participation in the NATO Infrastructure Program*

DoD Directive 2010.6 - *Standardization and Interoperability of Weapon Systems and Equipment Within the North Atlantic Treaty Organization*

DoD Directive 2010.8 - *Department of Defense Policy for NATO Logistics*

DoD Directive 2010.9 - *Mutual Logistics Support Between the United States and Other NATO Forces*

DoD Instruction 2010.10 - *Mutual Logistics Support Between the United States and Other NATO Forces - Financial Policy*

DoD Instruction 2030.6 - *Implementing Procedures for Security Trade Controls on Sales for Foreign Excess Personal Property*

DoD Instruction 2045.2 - *Agreements with Australia and Canada for Qualification of Products of Non-Resident Manufacturers*

DoD Directive 2055.3 - *Manning of Security Assistance Organizations and Selection and Training of Security Assistance Personnel*

DoD Instruction 2110.32 - *Foreign Military Sales Between the United States and the Federal Republic of Germany*

DoD Directive 2140.2 - Recoupment of Nonrecurring Costs on Sales of USG Products and Technology

DoD Directive 2140.5 - Defense Institute of Security Assistance Management

*DoD Directive 4000.21-1-M - Military Standard Requisitioning and Issue Procedures (MILSTRIP) **

DoD Directive 4000.25-8-M - Military Assistance Program Address Directory

DoD Directive 4100.37 - Retention and Transfer of Materiel Assets

*DoD Directive 4140.22-M - Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP) **

DoD Instruction 4140.42 - Determination of Initial Requirements for Secondary Item Spare and Repair Parts

DoD Instruction 4155.19 - NATO Quality Assurance

DoD Directive 4160.21 - DoD Personal Property Utilization Disposal Program

DoD Directive 4160.21-M - Defense Reutilization and Marketing Manual

DoD Directive 4160.21-M-1 - Defense Demilitarization Manual

DoD Directive 4165.6 - Real Property Acquisition, Management, and Disposal

DoD Directive 4175.1 - Sale of Government-Furnished Equipment or Materiel and Services to US Companies for Commercial Export

DoD Directive 4410.6 - Uniform Material Movement and Issue Priority System (UMMIPS)

DoD Directive 4500.9 - Transportation and Traffic Management

DoD Directive 5000.1 - Major and Non-Major Defense Acquisition Programs

DoD Directive 5000.2 - Defense Acquisition Program Procedures

DoD Directive 5000.7 - Official Temporary Duty Travel Abroad

DoD Instruction 5000.33 - Uniform Budget/Cost Terms and Definitions

DoD Directive 5000.35 - Defense Acquisition Regulatory System

DoD Instruction 5010.12 - Defense Technical Data Management Program

DoD Directive 5030.14 - Disclosure of Atomic Information to Foreign Governments and Regional Defense Organizations

DoD Directive 5100.2 - Support of Headquarters of Unified, Specified, or Subordinate Joint Commands

DoD Directive 5100.55 - United States Security Authority for NATO Affairs

DoD Directive 5105.36 - *Defense Contract Audit Agency*

DoD Directive 5105.38 - *Defense Security Assistance Agency*

DoD Directive 5105.40 - *Defense Mapping Agency (DMA)*

DoD Directive 5123.3 - *DoD Policy and Responsibilities Related to International Security Assistance (ISA)*

DoD Directive 5128.1 - *Assistant Secretary of Defense (Production and Logistics)*

DoD Directive 5132.2 - *Assistant Secretary of Defense (International Security Affairs)*

DoD Directive 5132.3 - *Department of Defense Policies and Responsibilities Relating to Security Assistance*

DoD Directive 5132.11 - *Security Assistance Accounting Center*

DoD Directive 5160.41 - *Defense Language Program*

DoD Directive 5200.12 - *Conduct of Classified Meetings*

DoD Industrial Security Manual 5220.22-M - *Industrial Security Manual for Safeguarding Classified Information*

DoD Directive 5230.11 - *Disclosure of Classified Military Information to Foreign Governments and International Organizations*

DoD Instruction 5230.17 - *Procedures for Disclosure of Classified Military Information to Foreign Governments and International Organizations*

DoD Instruction 5230.20 - *Control of Foreign Representatives*

DoD Directive 5410.17 - *Informational Program for Foreign Military Trainees in the United States*

DoD Directive 5500.7 - *Standards of Conduct*

DoD Directive 5530.3 - *International Agreements*

DoD Directive 7000.14-R - *Financial Management Regulation, Volume 15, Security Assistance Policy and Procedures*

DoD Instruction 7230.7 - *User Charges*

DoD Directive 7460.2 - *Regulations Governing the Use of Management Funds*

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TABLE OF CONTENTS

APPENDIX D

DSAA INFORMATION SYSTEMS DATA ELEMENT DICTIONARY

	Page	
A. Purpose	D-1	
B. Description	D-1	
C. Alphabetic List of Codes with Definitions	D-1	
Table D-1, Action Code - 1000 System	D-19	
Table D-2, Commitment Code - 1000 System	D-21	
Table D-3, Condition Code - 1000 System	D-22	
Table D-4, Cost Code - 1000 System	D-23	
Table D-5, Country/Organization Code - Alphabetic	D-24	
Table D-6, Footnote Code - MASL	D-25	
Table D-7, Generic Codes - All Systems	D-27	**
Table D-8, MAP Element Code - 1000 System	D-52	
Table D-9, Source of Supply Code - 1000 System	D-56	
Table D-10, Status Code - 1200 System	D-58	
Table D-11, Type of Assistance Code - 1000 System	D-60	
Table D-12, Unit of Issue Code - All Systems	D-61	
Table D-13, MILDEP Execution Agency Identifier Codes	D-64	
Table D-14, Training Analysis Codes	D-69	
Table D-15, Training Program Card Formats	D-72	
Table D-16, First Position of LOA Designator	D-73	

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TABLE D-7. GENERIC CODES - ALL SYSTEMS

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
A	AIRCRAFT				
1	Combat Aircraft:				
A	Attack.	FSC 1510	X		
B	Bomber.	FSC 1510	X		
F	Fighter	FSC 1510	X		
S	Anti-Submarine.	FSC 1510	X		
V	VTOL & VSTOL.	FSC 1510	X		
2	Airlift Aircraft:				
C	Cargo Transport	FSC 1510	X		
3	Trainer Aircraft:				
T	Trainer	FSC 1510	X		
4	Helicopters:				
A	Attack.	FSC 1520	X		
C	Cargo Transport	FSC 1520	X		
H	General Purpose	FSC 1520	X		
L	Observation	FSC 1520	X		
S	Anti-Submarine.	FSC 1520	X		
T	Trainer	FSC 1520	X		
U	Utility	FSC 1520	X		
5	Other Aircraft:				
E	Special Electronic Installation	FSC 1500, 1510	X		
G	Glider.	FSC 1540	X		
K	Tanker.	FSC 1510	X		
L	Observation	FSC 1510	X		
P	Patrol.	FSC 1510	X		
R	Reconnaissance.	FSC 1510	X		
U	Utility	FSC 1510	X		
X	Research.	FSC 1510	X		
Z	Airship	FSC 155Z	X		
6	Modification of Aircraft:				
A	Minor Modification/Class IV			X	
B	Major Modification/Class V.			X	
7	Aircraft Support Equipment:				
A*	Ground Handling Equipment	FSC 1730, 4920	X		*One dollar line provided for initial stockage and for follow-on.
B*	Arresting Barrier & Barricade Equipment	FSC 1710	X		

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TABLE D-7. GENERIC CODES - ALL SYSTEMS. [Page 1 of 25]

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Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
A 7 C*	Launching Equipment	FSC 1720		X	*One dollar line provided for initial stockage and for follow-on.
D*	Specialized Trucks & Trailers (Including Modifications)	FSC 1740		X	
E	Contractor-Provided Support Equipment			X	Program F-16 Avionics Intermediate Shop as major item (MDE).
A 9	Aircraft Components & Spare Parts:				
A	Gasoline Reciprocating Engines, Complete. . .	FSC 2810	X		
B	Gas Turbines & Jet Engines, Complete. . . .	FSC 2840	X		
C	Aircraft Components, Parts & Accessories. . .	FSG 16XX (except 1670), FSC 1270, 1280, 1290, 1377, 1560, 2620, 2810 (Components), 2840 (Components), 2915, 2925, 2935, 2945, 2950, 2995, 6340, 6605, 6610, 6615, 6620			
D	Contractor-Provided Aircraft Components, Spares & Accessories			X	May include other FSG when supplied for aircraft.
B	MISSILES				
1	Ground Launched Missiles:				
	Missiles, Major Components, Class V Mods.		X		
	Missile Shop Sets, Test Equipment, Trailers, Vans, Mod Kits, Other Components & Support Equipment			X	
2	Air Launched Missiles:				
	Missiles, Major Components, Class V Mods.		X		
	Missile Shop Sets, Test Equipment, Trailers, Vans, Mod Kits, Other Components & Support Equipment			X	
3	Sea Launched Missiles:				
	Missiles, Major Components, Class V Mods.		X		
	Missile Shop Sets, Test Equipment, Trailers, Vans, Mod Kits, Other Components & Support Equipment			X	

The alpha codes indicated will be used by the Military Departments when submitting MASL data for ground launched missiles or associated dollar lines:

A. Nike	G. Pershing	N. Lance	W. Roland
B. Redeye	H. Entac	P. Stinger	X. Patriot
C. Hawk	J. Tow	R. Chaparral	Y. ATACMS
D. Mauler	K. Dragon	S. Shillelagh	
E. Jupiter	L. Lacrosse	T. Rapier (UK)	
F. Sergeant	M. Thor	V. Viper	

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TABLE D-7. (Continued) [Page 2 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
The alpha codes indicated will be used by the Military Departments when submitting MASL data for air launched missiles or associated dollar lines:					
	A. Shrike	F. Aerial Target Missile	P. ATAS (Stinger)	W. Sparrow	
	B. Harm	G. Maverick	R. Sidewinder	Y. Matador	
	C. Standard Arm	H. Hellfire	S. Bullpup	Z. ANRAAM	
	D. Standard	J. Air-Launched TOM	T. Phoenix		
	E. Walleye	N. Falcon	V. Corporal		
The alpha codes indicated will be used by the Military Departments when submitting MASL data for sea launched missiles or associated dollar lines:					
	K. Polaris				
	L. Trident				
	M. UK Fleet Ballistic Missile				
	N. Rolling Airframe Missile (RAM)				
	P. Terrier				
	Q. Tartar				
	R. Harpoon				
	S. Tomahawk				
	W. Seasparrow				
B 4 Q	Drones.	FSC 1520, 1550		X	
6 A	Modification of Missiles.				X
8	Multipurpose Missile Equipment:				
A	Multipurpose Missile Equipment (includes FAAR)	FSC 1410, 1425, 1430, 1440, 4935		X	
B	Multipurpose Missile Equipment Parts (includes FAAR).				X
9	Missile Spares & Spare Parts:				
A	Guided Missile Parts.	FSC 14XX, FSC 1190, 1195, 4935			X
B	Guided Missile Warhead.	FSC 1336, 1337, 1338			X
C	Free Missile Parts.	FSC 1055, 1190, 1195, 1340			X
D	Contractor-Provided Guided Missile Parts, Components & Parts for Guided Missile Support Equipment.				X
C	SHIPS				
1	Warships:				
A	Destroyer (DD).	FSC 1905			X
B	Submarine (SS).	FSC 1905			X
C	Ocean Escort (OE)	FSC 1905			X
D	Light Aircraft Carrier (CVL).	FSC 1905			X
E	Light Cruiser (CL).	FSC 1905			X
F	Guided Missile Frigate.	FSC 1905			X

TABLE D-7. (Continued) [Page 3 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
C 2	Amphibious Ships:				
A	Tank Landing Ship (LSW/LSSL)	FSC 1905	X		
B	Medium Landing Ship, Rocket (LSMR)	FSC 1905	X		
C	Medium Landing Ship, Rocket (LSMR)	FSC 1905	X		
D	Utility Landing Craft (LCU)	FSC 1905	X		
E	Transport (AKA/AP/APC/APD)	FSC 1910	X		
3	Mine Warfare Ships:				
A	Coastal Minesweeper (MCS)	FSC 1905	X		
B	Ocean Minesweeper (MSO)	FSC 1905	X		
C	Coastal Minesweeper (MCS)	FSC 1905	X		
D	Inshore Minesweeper (MSI/MSB)	FSC 1905	X		
E	Fleet Minesweeper (MSF)	FSC 1905	X		
G	Mine Countermeasure Support (MCS)	FSC 1905	X		
H	Auxiliary Mineplanter (YMP)	FSC 1905	X		
4	Patrol Ships:				
A	Patrol Frigate (PF)	FSC 1905	X		
B	Patrol Craft (PC)	FSC 1905	X		
C	Patrol Craft Escort (PCE)	FSC 1905	X		
D	Patrol Gunboat (PGM)	FSC 1905	X		
E	Seaward Defense Craft (SDC)	FSC 1905	X		
F	Fast Patrol Boat	FSC 1905	X		
G	Patrol Torpedo Boat (PT)	FSC 1905	X		
5	Auxiliaries and Craft:				
A	Net Laying Ship (AN)	FSC 1925	X		
B	Oiler (AO)	FSC 1915	X		
C	Gasoline Tanker (AOG)	FSC 1915	X		
D	Fuel Oil Barge (YO/YSR)	FSC 1915	X		
E	Gasoline Barge (YOG)	FSC 1915	X		
F	Water Barge (YW)	FSC 1915, 1935	X		
G	Light Cargo Ship (AKL)	FSC 1925	X		
H	Auxiliary Ocean Tug (ATA/ATR)	FSC 1925	X		
K	Submarine Rescue Ship (ASR)	FSC 1925	X		
L	Seaplane Tender (AVP)	FSC 1925	X		
M	Small Harbor Tug (YTL)	FSC 1925	X		
N	Rescue Boat (AVR)	FSC 1940	X		
P	Medium Landing Craft (LCM)	FSC 1905	X		
Q	Vehicle/Personnel Landing Craft (LCVP)	FSC 1905	X		

TABLE D-7. (Continued) [Page 4 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
C 5 R	Surveying Ship (AGS)	FSC 1990	X		
S	Landing Craft Repair Ship (ARL)	FSC 1925	X		
T	Large Harbor Tug (YTB)	FSC 1925	X		
V	Repair Ship (ARB)	FSC 1925	X		
W	Submarine Tender (AS)	FSC 1925	X		
X	Floating Drydock (AFDL/SRD)	FSC 1950	X		
Z	Miscellaneous Boats & Craft	FSG 19XX	X		
6	Ships Support Equipment:				
A	Ship Overhaul/Modernization/Construction (In Country)			X	**
B	Shipbuilding Cost Sharing			X	**
9	Ships Spares & Spare Parts:				
A	Ship Spare Parts, Components, & Accessories	FSG 20XX (except 2050), 30XX, FSC 6320		X	May include other FSG when supplied for ships and craft
B	Gas Turbine Engines, Complete	FSC 2835	X		**
D	COMBAT VEHICLES				
1	Armored Carriers:				
A	Personnel Carriers, Full Track.	FSC 2350	X		
B	Personnel Carriers, Half Track.	FSC 2350	X		
C	Armored Cars.	FSC 2320, 2350	X		
D	Cargo Carriers.	FSC 2320, 2350	X		
E	Weapons Carriers.	FSC 2320, 2350	X		
2	Self-Propelled Artillery:				
A	Anti-Aircraft	FSC 2350	X		
B	Anti-Tank	FSC 2350	X		
C	105mm Howitzer.	FSC 2350	X		
D	155mm Howitzer.	FSC 2350	X		
E	4.2 Inch Mortar	FSC 2350	X		
F	8 Inch Howitzer	FSC 2350	X		
G	175mm Gun	FSC 2350	X		
Z	Other Self-Propelled Artillery.	FSC 2350	X		
3	Tanks:				
A	Light Tank.	FSC 2350	X		
B	Medium Tank	FSC 2350	X		
4	Tank Recovery Vehicles:				
A	Tank Recovery Vehicles.	FSC 2350	X		

All spare parts for Combat Vehicles should be programmed under Generic Code K8A.

TABLE D-7. (Continued) [Page 5 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
D 5	Other Combat Vehicles:				
A	High Speed Tractors	FSC 2430	X		
B	Amphibious Landing Vehicles	FSC 2320, 2350	X		
C	Tank Mounted Bulldozers	FSC 2590	X		
E	TACTICAL AND SUPPORT VEHICLES				
1	Semi-Trailers:				
A	Tank	FSC 2330	X		
B	Stake	FSC 2330	X		
C	Van	FSC 2330	X		
D	Low Bed	FSC 2330	X		
E	Transporter	FSC 2330	X		
Z	Other Semi-Trailers	FSC 2330	X		
2	Trailers:				
A	Cargo	FSC 2330	X		
B	Tank	FSC 2330	X		
C	Ammunition	FSC 2330	X		
D	Fuel Service	FSC 2330	X		
E	Low Bed	FSC 2330	X		
F	Flat Bed	FSC 2330	X		
G	Bolster	FSC 2330	X		
H	Dolly	FSC 2330	X		
Z	Other Trailers	FSC 2330	X		
3	Trucks:				
A	1/4 Ton Cargo	FSC 2320	X		
B	1/4 Ton Ambulance	FSC 2310	X		
D	3/4 Ton Cargo	FSC 2320	X		
E	3/4 Ton Ambulance	FSC 2310	X		
G	1 Ton Cargo	FSC 2320	X		
K	2 1/2 Ton Cargo	FSC 2320	X		
L	2 1/2 Ton Dump	FSC 2320	X		
M	2 1/2 Ton Special Purpose	FSC 2320	X		
N	2 1/2 Ton Tank	FSC 2320	X		
Q	2 1/2 Ton Truck-Tractor	FSC 2320	X		
R	2 1/2 Ton Wrecker	FSC 2320	X		
T	5 Ton Cargo	FSC 2320	X		
U	5 Ton Dump	FSC 2320	X		
W	5 Ton Truck-Tractor	FSC 2320	X		
X	5 Ton Wrecker	FSC 2320	X		
Z	Other Trucks	FSC 2320	X		

TABLE D-7. (Continued) [Page 6 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
E 4	Support Vehicles:				
A	Station Wagons.	FSC 2310	X		
B	Sedans.	FSC 2310	X		
C	Buses.	FSC 2310	X		
D	Motorcycles & Motor Scooters.	FSC 2340	X		
E	Ambulances.	FSC 2310	X		
F	Commercial Trucks.	FSC 2320	X		
Z	Other Support Vehicles.	FSC 2310, 2320	X		
F	WEAPONS				
1	Weapons, up to 75mm:				
A	Pistols.	FSC 1005	X		
B	Carbines.	FSC 1005	X		
C	Rifles.	FSC 1005	X		
E	Sub-Machine Guns.	FSC 1005	X		
F	Machine Guns.	FSC 1005	X		
G	Mounts.	FSC 1005, 1015, 1090	X		
H	Shotguns.	FSC 1005	X		
J	Sub-Caliber Weapons	FSC 1005, 1010	X		
K	Anti-Aircraft Guns.	FSC 1005, 1010	X		
L	Launchers	FSC 1005, 1010, 1055	X		
M	Mortars	FSC 1010	X		
Z	Other Weapons (up to 75mm).	FSC 1005, 1010, 1090	X		
2	Artillery, 75mm & over:				
A	75mm Guns	FSC 1015	X		
B	76mm Guns	FSC 1015	X		
C	90mm Guns	FSC 1015	X		
D	105mm Guns.	FSC 1015	X		
E	155mm Guns.	FSC 1025	X		
F	175mm Guns.	FSC 1025	X		
G	75mm Howitzer	FSC 1015	X		
H	105mm Howitzer.	FSC 1015	X		
J	155mm Howitzer.	FSC 1025	X		
K	8 Inch Howitzer	FSC 1030	X		
L	75mm Recoiless Rifles.	FSC 1015	X		
M	90mm Recoiless Rifles.	FSC 1015	X		
N	105mm Recoiless Rifles.	FSC 1015	X		
P	106mm Recoiless Rifles	FSC 1015	X		
Q	120mm Recoiless Rifles	FSC 1015	X		
R	155mm Recoiless Rifles	FSC 1025	X		

TABLE D-7. (Continued) [Page 7 of 25]

Generic Code	Description	Federal Supply Classification	Major Item	Program as:		Remarks
				Dollar	Line	
F 2 S	81mm Mortar	FSC 1015	X			
T	107mm/4.2 Inch Mortar	FSC 1015	X			
U	120mm Mortar	FSC 1015	X			
Z	Other Weapons (75mm & over)	FSC 1015, 1020, 1025, 1030, 1035 . .	X			
3	Naval Ordnance Weapons:					
A	20mm Mounts	FSC 1005	X			
B	40mm Mounts	FSC 1010	X			
C	3 Inch/50 Mounts.	FSC 1015	X			
D	5 Inch/25 Mounts.	FSC 1020	X			
E	5 Inch/38 Mounts.	FSC 1020	X			
F	5 Inch/54 Mounts.	FSC 1020	X			
G	Loading Machines (all calibers)	FSC 1010, 1015, 1020	X			
H	Torpedo Launchers	FSC 1045	X			
J	Depth Charge Launchers.	FSC 1045	X			
K	ASW Rocket Launchers.	FSC 1055	X			
L	Harbor Nets, Booms, & Buoys	FSC 1070, 2050	X			
M	Degaussing & Minesweeping Equipment	FSC 1075	X			
N	Naval Fire Control Directors.	FSC 1210	X			
P	Naval Fire Control Computing Sights	FSC 1220	X			
Q	ASW Fire Control Systems.	FSC 1230	X			
R	Gunfire Control Systems	FSC 1230	X			
S	Torpedo Fire Control Systems.	FSC 1210, 1220, 1230	X			
T	Submarine Fire Control Systems.	FSC 1230	X			
U	Target Designating Systems.	FSC 1260, 1265	X			
V	Fire Control Radar.	FSC 1285	X			
W	Close-in Weapon Systems	FSC 1230	X			
X	Multi-Weapon Defense Systems.	FSC 1230	X			
Y	Missile Fire Control Systems.	FSC 1230	X			
Z	Other Naval Ordnance Weapons.	FSG 10 (except 1070, 1075), FSC 1240, 1250, 1260, 1265, 1270, 1280, 1287, 1290	X		(1)	
4	Other Weapons:					
A	Chemical Weapons & Equipment.	FSC 1040	X		(1)	
B	Camouflage & Deception Equipment.	FSC 1080	X			
D	Fire Control Equipment (other than naval ordnance).	FSG 12	X		(1)	
Y	Non-Standard Weapons.		X			
Z	Miscellaneous Other Weapons & Interchangeable Assemblies	FSC 1020, 1055, 1090, 1095	X		(1)	

TABLE D-7. (Continued) [Page 8 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
F 9	Weapon Spare Parts, Components, & Accessories:				
A	Weapons	FSG 11XX, 12XX, FSC 1005, 1010, 1015, 1020, 1025, 1030, 1035, 1055, 1090, 1095, 2845 (other than Naval Ordnance).		X	
B	Naval Ordnance Weapons.	FSG 10XX, 12XX, FSC 2845		X	
C	Non-Standard Weapon Spare Parts, Components, & Accessories.			X	
G	AMMUNITION				
1	Ammunition (up to 75mm) & Grenades:				
A	5.56mm/22 caliber	FSC 1305	X		
B	30 caliber.	FSC 1305	X		
C	7.62mm.	FSC 1305	X		
D	38 caliber.	FSC 1305	X		
E	45 caliber.	FSC 1305	X		
F	50 caliber.	FSC 1305	X		
G	60 caliber.	FSC 1305	X		
H	20mm.	FSC 1305	X		
I	22mm.	FSC 1305	X		
J	37mm.	FSC 1310	X		
K	40mm.	FSC 1310	X		
L	57mm.	FSC 1310	X		
M	60mm Mortar	FSC 1310	X		
N	Shotgun Ammunition.	FSC 1305	X		
P	Grenades.	FSC 1330	X		
Z	Other Ammunition.	FSC 1305, 1310, 1330	X	(1)	
2	Ammunition, 75mm & Over:				
A	75mm.	FSC 1315	X		
B	76mm.	FSC 1315	X		
C	81mm Mortar	FSC 1315	X		
D	90mm.	FSC 1315	X		
E	105mm.	FSC 1315	X		
F	106mm.	FSC 1315	X		
G	4.2 Inch Mortar	FSC 1315	X		
H	3 Inch/50	FSC 1315	X		
J	5 Inch/25	FSC 1320	X		
K	5 Inch/38	FSC 1320	X		
L	5 Inch/54	FSC 1320	X		

TABLE D-7. (Continued) [Page 9 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
G 2 M	155mm	FSC 1320	X		
N	8 Inch.	FSC 1320	X		
P	175mm	FSC 1320	X		
Z	Other Ammunition.	FSC 1315, 1320	X	(1)	
3	Land Mines & Explosives:				
A	Anti-personnel Mines.	FSC 1345	X		
B	Anti-tank Mines	FSC 1345	X		
C	Demolition Kits	FSC 1375	X		
D	Charges	FSC 1375	X		
Z	Other Explosives & Land Mine Components	FSC 1345, 1375, 1376, 1377	X	(1)	
4	Naval Ordnance Ammunition:				
A	Service Mines, complete	FSC 1361	X		
B	Drill Mines, complete	FSC 1350, 1351	X		
C	Mine Components	FSC 1350, 1351	X		
D	Torpedo Exercise Heads.	FSC 1355, 1356	X		
E	Anti-surface Torpedoes.	FSC 1356	X		
F	ASW Torpedoes	FSC 1356	X		
G	Torpedo Components.	FSC 1355, 1356	X		
H	Depth Charges	FSC 1361	X		
J	Depth Charge Components	FSC 1360, 1361	X		
5	Bombs & Rockets:				
A	Practice Bombs & Shapes	FSC 1105, 1325	X		
B	Armor Piercing Bombs.	FSC 1325	X		
C	Depth Bombs	FSC 1325	X		
D	Fire & Incendiary Bombs	FSC 1325	X		
E	Fragmentation Bombs	FSC 1325	X		
F	General Purpose Bombs	FSC 1325	X		
G	Electronic Operated Guided Bombs.	FSG 13	X		
M	Bomb Components	FSC 1325	X		
N	Other Bombs	FSC 1325	X		
P	2.25 Inch Rockets	FSC 1340	X		
Q	2.36 Inch Rockets	FSC 1340	X		
R	2.75 Inch Rockets	FSC 1340	X		
S	3.5 Inch Rockets.	FSC 1340	X		
T	5 Inch Rockets.	FSC 1340	X		
U	7.2 Inch Rockets.	FSC 1340	X		
V	Asroc Rockets	FSC 1356	X		
W	Honest John Rockets	FSG 10, 11 & 13.	X	(1)	

TABLE D-7. (Continued) [Page 10 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
G 5 Y	Rocket Components	FSC 1340	X	X	(1)
Z	Other Rockets	FSC 1340	X		
6	Pyrotechnic & Chemical Munitions:				
A	Chemical Munitions.	FSC 1365	X	X	Program agents as major items; program articles other than agents in FSC 1365 as dollar lines.
B	Pyrotechnics.	FSC 1370	X	X	(1)
7	Other Ammunition:				
A	Ammunition Raw Materials.	FSC 9999		X	(1)
B	Fuzes and Primers	FSC 1390	X		
C	Ammunition Containers	FSC 8140		X	
D	Miscellaneous Ammunition, Tools, & Specialized Equipment.	FSC 1385, 1386, 1395, 1398, 4927		X	
E	Non-Standard Ammunition			X	
H	COMMUNICATIONS EQUIPMENT				
1*	Telephone & Telegraph Equipment	FSC 5805	X	X	(1)
2*	Radio & Television Communications Equipment	FSC 5820, 5821, 5895, 5985	X	X	(1)
3*	Radio Navigation Equipment.	FSC 5825, 5826, 5827	X	X	Installation units will be programmed under dollar lines provided by DSAA.
4*	Radar Equipment	FSC 5840, 5841, 5895	X	X	(1)
5*	Underwater Sound Equipment.	FSC 5845	X	X	(1)
6*	Other Communications Equipment (Including Modifications)	FSG 58XX, 59XX, 60XX	X	X	(1)
7 Z	Non-Standard Communications & Electronic Equipment.			X	Installation units for equipment in FSG 58XX (other than 5820, 5821) will be programmed under appropriate dollar line provided by DSAA.
*The following alphabets will be used by the Military Departments as the third character of the Generic Code to identify the type of installation:					
		A Airborne B Fixed G Ground, General Ground Use K Amphibious P Pack or Portable V Ground, Vehicular W Water, Surface, and Underwater Z Other Communications Equipment (Including Modifications)			
9	Communications Equipment Spare Parts and Electronic Supplies:				
A	Communications Equipment Spare Parts and Electronic Supplies.	FSG 58XX, 59XX		X	
B	Non-Standard Communications Equipment Spare Parts and Electronic Supplies.			X	

TABLE D-7. (Continued) [Page 11 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
J	SUPPORT EQUIPMENT				
1	Chemical Equipment:				
A	Decontaminating & Impregnating Equipment.	FSC 4230		X	
2	Construction Equipment:				
A	Full Track Tractors	FSC 2410		X	
B	Wheeled Tractors.	FSC 2420		X	
C	Earthmoving & Excavating Equipment.	FSC 3805		X	
D	Crane & Crane Shovels.	FSC 3810		X	
E	Road Clearing Equipment	FSC 3825		X	
F	Military Bridging	FSC 5420		X	
Z	Miscellaneous Construction Equipment.	FSC 3815, 3830, 3895		X	
3	Materials Handling Equipment:				
A	Conveyors, Cranes & Derricks.	FSC 3910, 3950		X	
Z	Other Materials Handling Equipment.	FSG 39XX (except 3910, 3950)		X	
4	Photographic Equipment:				
A	Cameras	FSC 6720		X	
B	Projection Equipment.	FSC 6730		X	
C	Developing & Finishing Equipment.	FSC 6740		X	
D	Digitally Enhanced Photographic Imaging Equipment/Systems.	FSG 67XX (except 6720, 6730, 6740)		X	
Z	Other Photographic Equipment, Supplies, & Spare Parts.	FSG 67XX (except 6720, 6730, 6740)		X	
6	Other Equipment:				
A	Parachutes & Aerial Delivery Equipment.	FSC 1670		X	
D	Other Power Transmission Equipment.	FSG 30XX		X	
E	Woodworking Machinery & Equipment	FSG 32XX		X	
F	Metal Working Machinery	FSG 34XX		X	
G	Special Industrial Machinery.	FSG 36XX		X	
N	Safety & Rescue Equipment	FSG 42XX		X	
P	Steam Plant & Drying Equipment.	FSG 44XX		X	
Q	Maintenance & Repair Shop Equipment.	FSC 4910, 4925, 4930, 4931, 4933, 4940		X	
R	Power & Distribution Equipment.	FSG 61XX, 62XX		X	
S	Non-Standard Power & Distribution Equipment	FSG 66XX (except 6610, 6630, 6640)		X	
T	Instruments & Laboratory Equipment.	FSG 22XX, FSC 3835, 6310, 6330, 6350, 6650, 6665		X	
U	Non-Standard Test Equipment			X	
Z	Other Support Equipment			X	

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TABLE D-7. (Continued) [Page 12 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
J 7	Other Support Equipment:				
A	Medical/Surgical Equipment.	FSC 6515		X	
B	Dental Equipment.	FSC 6520		X	
C	X-Ray Equipment.	FSC 6525		X	
D	Hospital Equipment.	FSC 6530		X	
E	Chemistry/Laboratory Equipment.	FSC 6630, 6640		X	
F	Laundry & Dry Cleaning Equipment.	FSC 3510		X	
G	Shoe Repair Equipment.	FSC 3520		X	
H	Service & Trade Equipment.	FSG 35XX (except 3510, 3520)		X	
J	General Purpose ADP Equipment.	FSG 70XX		X	
K	Office Machines.	FSG 74XX		X	
L	Pumps & Compressors.	FSG 43XX		X	
M	Plumbing & Heating Equipment.	FSG 45XX		X	
N	Engines.	FSG 28XX (except 2810, 2840, 2845)		X	
P	Prefab & Portable Structures.	FSG 54XX (except 5420)		X	
Q	Mine Drilling Equipment.	FSC 3820		X	
R	Refrigeration & Air Conditioning Equipment.	FSG 41XX		X	
S	Firefighting Equipment.	FSC 4210		X	(1)
Y	Support Equipment - Royal Saudi Land Forces (RSLF).	FSG 37XX, 46XX, 47XX, 48XX, 71XX, 72XX, 73XX		X	
Z	Other Support Equipment.	FSG 76XX		X	
8	Books, Publications, and Maps and Charts:				
A	Technical, Non-Technical Books, Publications, & Maps and Charts.	FSG 76XX		X	
9	Contractor-Provided Technical Order Data				
A	Contractor-Provided Technical Order Data.			X	
K	SUPPLIES				
1	Clothing & Textile Supplies:				
A	Clothing/Textiles & Individual Equipment.	FSG 83XX, 84XX		X	
2	Medical Supplies:				
A	Drugs & Surgical Dressings.	FSC 6505, 6510		X	
Z	Other Dental & Medical Supplies.	FSG 65XX (except 6505, 6510)		X	
3	Subsistence:				
A	Human Subsistence.	FSG 89XX		X	
B	Human Subsistence (Offshore Procurement).	FSG 89XX		X	
4	General Supplies:				
A	Hand & Measuring Tools.	FSG 51XX, 52XX		X	

TABLE D-7. (Continued) [Page 13 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
K 4 Z	Other General Supplies.	FSG 40XX, 75XX, 77XX, 78XX, 79XX, 80XX, 81XX (except 8140), 85XX, 93XX, FSC 8710, 8820, 9905, 9920, 9925, 9930, 9999		X	
5	Industrial Supplies:				
A	Industrial Supplies	FSG 31XX, 53XX, 94XX, 95XX, 96XX		X	
6	Fuels, Oils, & Chemicals:				
A	Jet Fuel.	FSC 9130		X	
B	Aviation Gasoline	FSC 9130		X	
C	Automotive Gasoline	FSC 9130		X	
D	Diesel Fuel	FSC 9140		X	
E	Navy Special Fuel Oil	FSC 9140		X	
F	Chemicals	FSG 68XX		X	
G	Solid Fuel.	FSC 9110		X	
Z	Other Petroleum, Oil & Lubricants	FSG 91XX (except 9110, 9130, 9140)		X	
7	Construction Supplies:				
Z	Construction Supplies	FSG 55XX, 56XX		X	
8	Automotive Supplies:				
A	Automotive Supplies & Spare Parts.	FSG 23XX, 24XX, 25XX, 26XX, (except 2620), 28XX (except 2810, 2840, 2845), FSC 2910, 2920, 2930, 2940, 2990, & other spare parts		X	Automotive supplies and spare parts for equipment in Generics D, E, J, & K
L	SUPPLY OPERATIONS				
1	Transportation Costs:				
A	Inland Transportation - CONUS	01		X	
B	Ocean Transportation.	01		X	
C	Air Transportation.	01		X	
D	Parcel Post	01		X	
E	Commercial Carrier.	01		X	
F	Inland Transportation Overseas.	01		X	
L 2	Packing, Crating, Handling, Port Loading & Port Unloading Costs:				
A	Packing, Crating & Handling	01		X	
B	Port Loading.	01		X	
C	Port Unloading.	01		X	

TABLE D-7. (Continued) [Page 14 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
L 3	Operation & Maintenance of MAP Installations:				
A	Operation & Maintenance Costs	01		X	
F	MAAG Housing	01		X	
G	Maintenance & Repair of Real Property - MAP Installations	01		X	
4	Storage & Maintenance of Stockpiles:				
A	Storage & Maintenance of Stockpiles	01		X	
5	Offshore Procurement Expenses:				
A	Offshore Procurement Expenses	01		X	
6	Logistics Management Expense:				
A	Logistics Management Expense (Not for MILDEP Use)	01		X	
7	Travel Expenses:				
A	Travel Expenses	01		X	
8	Case Management:				
A	Case Management Including Travel	01		X	
9	Special Activities:				
A	Special Activities Including Incidental Travel	01		X	Includes staging and consolidation of incoming articles into a single shipment at DOD activity in CONUS or contractor facility, at request of customer.
B	Staging and Consolidation of FMS Shipments	01		X	
C	Assemblage of FMS Shipments	01		X	
M	MAINTENANCE OF EQUIPMENT				
1	Technicians & Allied Services:				
A	Aircraft Technical Assistance	02		X	
B	Missile Technical Assistance	02		X	
C	Communications Technical Assistance	02		X	
D	EM Services	02		X	
E	Other Technical Assistance	02		X	
F	Technical Data Package (TDP)	02		X	
G	Engineering Technical Assistance	02		X	

TABLE D-7. (Continued) [Page 15 of 25]

Generic Code	Description	Federal Supply Classification	Major Item	Program as:		Remarks
				Item	Dollar Line	
M 1 H	Technical Coordination Program (TCP).	02			X	
J	Aircraft Structural Integrity Program (ASIP).	02			X	
K	Non-Standard Item Support	02			X	
L	PMEL Calibration.	02			X	
M	Engine CIP.	02			X	
P	Contractor Engineering Tech Services (CETS)	02			X	
Q	Ship Maintenance Technical Assistance	02			X	
R	Logistics Technical Assistance.	02			X	
S	Training Devices, Simulators, and Targets	02			X	
	Technical Assistance	02			X	
2	Repair/Rehabilitation/Replacement of Equipment:					
A	Repair/Rehab/Replacement of Aircraft &					
B	Aircraft Engine Overhauls (Incl a/c IRAN).	02	X		X	(1)
C	Overhaul of Ships	02	X		X	(1)
D	Repair/Rehab/Replacement, Other	02	X		X	(1)
E	Combat Vehicles	02	X		X	(1)
F	Tactical/Support Vehicles	02	X		X	(1)
G	Weapons	02	X		X	(1)
H	Ammunition.	02	X		X	(1)
	Communications/Electronics, & Meteorological Equipment.	02			X	
J	Support Equipment	02			X	
K	Missiles.	02	X		X	(1)
L	Training Devices, Simulators & Targets.	02			X	
3	Repair & Rehabilitation (R&R) of Excess Material (FY 63 and Prior Year Only):					
A	Repair & Rehab of Aircraft & Aircraft					
B	Engine Overhauls (Including IRAN).	01			X	
C	Overhaul of Ships	01			X	
	Repair & Rehabilitation, Other.	01			X	
4 A	Contractor-Provided Overhaul/Repair & Rehabilitation of Non-Standard Equipment				X	
N	TRAINING (FMS 1200 SYSTEM ONLY)					
0	Training:					
0	Training.	00			X	
7	Training - Medical Services:					
E	Medical Services.	00			X	
9	Training:					
A	Aids, Devices, Spare Parts.	00			X	
B	Books, Publications, Other.	00			X	
X	PCH&T Costs	00			X	

TABLE D-7. (Continued) [Page 16 of 25]

Generic Code	Item Ident. No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
N		TRAINING (MAP 1000 SYSTEM ONLY)			
1		FORMAL TRAINING - UNITED STATES			
A		Flying Training, U.S.:			
	0110000	Pilot, Jet, Fixed Wing	X		
	0111000	Pilot, Conventional, Fixed Wing.	X		
	0112000	Pilot, Helicopter.	X		
	0113000	Non-Pilot.	X		
	0114000	Instructor	X		
	0115000	Special Techniques	X		
	0116000	Crew/Transition.	X		
	0117000	Flight Test.	X		
	0118000	Other.	X		
	0119000				
B		Operations Training, U.S.:			
	0120000	Combat Operations.	X		
	0121000	Weapons/Tactics/FAM.	X		
	0122000	Mine Warfare/ASW	X		
	0123000	Amphibious Operations.	X		
	0124000	Reconnaissance, Mapping/Photo.	X		
	0125000	Counterinsurgency/Psychological Warfare.	X		
	0126000	CBR.	X		
	0127000	Training Devices/Simulators.	X		
	0128000	Other.	X		
	0129000				
C		Communications/Electronics Training, U.S.:			
	0130000	Electronic Fundamentals.	X		
	0131000	Ground Comm/Signal	X		
	0132000	Air Comm/Signal.	X		
	0133000	Fire Control Sys/Surface-to Air.	X		
	0134000	ASW Systems/Surface-to-Air	X		
	0135000	ECM Systems/Surface-to-Air	X		
	0136000	Other Radar Systems/Surface-to-Air	X		
	0137000	(Unassigned)	X		
	0138000	Other.	X		
	0139000				
D		Maintenance Training, U.S.:			
	0140000	Aviation	X		
	0141000	Armament/Ammunition.	X		
	0142000	Auto/Ground Support.	X		
	0143000	Combat/Special Vehicle	X		
	0144000				

TABLE D-7. (Continued) [Page 17 of 25]

Generic Code	Item Ident. No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
N 1 D	0145000	Ships/Boats.	X		
	0146000	Weather/Meteorology.	X		
	0147000	Training Equipment/Devices	X		
	0148000	Support Technical Skills	X		
	0149000	Other.	X		
E	0150000	Logistics Training, U.S.:	X		
	0151000	Logistics Management	X		
	0152000	Supply/Warehousing	X		
	0153000	Transport/Distribution	X		
	0154000	Procurement.	X		
	0155000	Comptroller/Stat/ADPS.	X		
	0156000	Finance.	X		
	0157000	(Unassigned)	X		
	0158000	(Unassigned)	X		
	0159000	Other.	X		
	0160000	Administrative Training, U.S.:			
	0161000	Personnel.	X		
	0162000	Manpower/Management.	X		
F	0163000	Food Handling/Admin.	X		
	0164000	Info/Education	X		
	0165000	Clerical	X		
	0166000	Instructor/Supervisor.	X		
	0167000	(Unassigned)	X		
	0168000	Women's Military	X		
	0169000	Other.	X		
	0170000	Professional/Special Training, U.S.:			
	0171000	Command/Staff.	X		
	0172000	Intelligence	X		
	0173000	Military Police/Civil Affairs.	X		
	0174000	Engineering/Construction	X		
G	0175000	Medical/Health Hygiene	X		
	0176000	Legal.	X		
	0177000	English Language	X		
	0178000	Civilian Institution	X		
	0179000	Other.	X		
	0180000	Orientation Training, U.S.:			
	0181000	Orientation Tours/DV	X		
	0182000	Orientation Tours/Non-DV	X		
H	0180000	Orientation Training, U.S.:			
	0181000	Orientation Tours/DV	X		
	0182000	Orientation Tours/Non-DV	X		
	0183000	Other.			
	0184000	Other.			

TABLE D-7. (Continued) [Page 18 of 25]

Generic Code	Item Ident. No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
N 1 H	0183000	Observer	X		
	0184000	Exchange Student	X		
	0185000	Informational Program.	X		
	0186000	(Unassigned)	X		
	0187000	(Unassigned)	X		
	0188000	(Unassigned)	X		
	0189000	Other.	X		
		Missile Training, U.S.:			
	0190000	IRBM	X		
	0191000	NIKE	X		
J	0192000	HAWK	X		
	0193000	Other/Surface-to-Surface	X		
	0194000	Other/Surface-to-Air	X		
	0195000	Air-to-Air	X		
	0196000	Air-to-Surface	X		
	0197000	Target Drone	X		
	0198000	Other.	X		
	0199000				
		FORMAL TRAINING - OVERSEAS			
		Flying Training, O/S:			
N	0210000	Pilot, Jet, Fixed Wing	X		
	0211000	Pilot, Conventional, Fixed Wing.	X		
	0212000	Pilot, Helicopter.	X		
	0213000	Non-Pilot.	X		
	0214000	Instructor	X		
	0215000	Special Techniques	X		
	0216000	Crew/Transition.	X		
	0217000	(Unassigned)	X		
	0218000	Other.	X		
	0219000				
P	0220000	Operations Training, O/S:			
	0221000	Combat Operations.	X		
	0222000	Weapons/Tactics/FAM.	X		
	0223000	Mine Warfare/ASW	X		
	0224000	Survival/Jungle/Arctic	X		
	0225000	Reconnaissance, Mapping/Photo.	X		
	0226000	Counterinsurgency/Psychological Warfare.	X		
	0227000	CBR.	X		
	0228000	Training Devices/Simulators.	X		
	0229000	Other.	X		

TABLE D-7. (Continued) [Page 19 of 25]

Generic Code	Item Ident. No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
N 1 Q	0230000	Communications/Electronics Training, O/S:	X		
	0231000	Electronic Fundamentals.	X		
	0232000	Ground Comm/Signal.	X		
	0233000	Air Comm/Signal.	X		
	0234000	Fire Control Sys/Surface-to-Air.	X		
	0235000	ASW Systems/Surface-to-Air.	X		
	0236000	ECM Systems/Surface-to-Air.	X		
	0237000	Other Radar Systems/Surface-to-Air.	X		
	0238000	(Unassigned)	X		
	0239000	Other.	X		
	0240000	Maintenance Training, O/S:			
	0241000	Aviation.	X		
R	0242000	Armament/Ammunition.	X		
	0243000	Auto/Ground Support.	X		
	0244000	Combat/Special Vehicle.	X		
	0245000	Ships/Boats.	X		
	0246000	Other Support Equipment.	X		
	0247000	Training Aids/Devices.	X		
	0248000	Support Technical Skills.	X		
	0249000	Other.	X		
S	0250000	Logistics Training, O/S:			
	0251000	Logistics Management.	X		
	0252000	Supply/Warehousing.	X		
	0253000	Transport/Distribution.	X		
	0254000	Procurement.	X		
	0255000	Comptroller/Stat/ADPS.	X		
	0256000	Finance.	X		
	0257000	(Unassigned)	X		
	0258000	(Unassigned)	X		
	0259000	Other.	X		
T	0260000	Administrative Training, O/S:			
	0261000	Personnel.	X		
	0262000	Manpower/Management.	X		
	0263000	Food Handling/Admin.	X		
	0264000	Info/Education.	X		
	0265000	Clerical.	X		
	0266000	(Unassigned)	X		
	0267000	(Unassigned)	X		
	0268000	(Unassigned)	X		
	0269000	Other.	X		

TABLE D-7. (Continued) [Page 20 of 25]

Generic Code	Item Ident. No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
N 1 U	0270000	Professional/Special Training, O/S:			
	0271000	Command/Staff.	X		
	0272000	Intelligence/Counterintelligence	X		
	0273000	Military Police/Civil Affairs.	X		
	0274000	Engineering/Construction	X		
	0275000	Medical/Health Hygiene	X		
	0276000	Cadet.	X		
	0277000	English Language	X		
	0278000	(Unassigned)	X		
	0279000	Other.	X		
	0280000	Orientation Training, U.S.:			
	0281000	Orientation Tours/DV	X		
	0282000	Orientation Tours/Non-DV	X		
V	0283000	Observer	X		
	0284000	Exchange Student	X		
	0285000	(Unassigned)	X		
	0286000	(Unassigned)	X		
	0287000	(Unassigned)	X		
	0288000	(Unassigned)	X		
	0289000	Other.	X		
	0290000	Missile Training, O/S:			
	0291000	(Unassigned)	X		
	0292000	(Unassigned)	X		
W	0293000	(Unassigned)	X		
	0294000	(Unassigned)	X		
	0295000	(Unassigned)	X		
	0296000	(Unassigned)	X		
	0297000	(Unassigned)	X		
	0298000	(Unassigned)	X		
	0299000	Other.	X		
		PANAMA CANAL SCHOOL TRAINING			
	BUSARSA	Training at USARSA	X		
	D01AAFA	Training at IAFPA.	X		
Z	PSC1ATT	Training at SCIATT	X		
	P01ANTN	Training at IANTN.	X		

Not included in Unified Command ceiling.
Programmed under Non-Regional Command.

TABLE D-7. (Continued) [Page 21 of 25]

Generic Code	Item Ident. No.	Description/Category	Program as:		Remarks
			Major Item	Dollar Line	
N 2		MOBILE TRAINING TEAMS/DETACHMENTS			
		Mobile Training Teams/Detachments - CONUS:			
A	0300000	Aviation			
B	0301000	Combat Operation/Intel	X		
C	0302000	Communications/Electronic.	X		
D	0303000	Supply/Maintenance	X		
E	0304000	Personnel/Maintenance.	X		
F	0305000	Counterinsurgency.	X		
G	0306000	English Language	X		
H	0307000	Missiles	X		
J	0308000	Other.	X		
	0309000				
		Mobile Training Teams/Detachments - Overseas:			
M	0310000	Aviation	X		
N	0311000	Combat Operation/Intel	X		
P	0312000	Communications/Electronic.	X		
Q	0313000	Supply/Maintenance	X		
R	0314000	Personnel/Maintenance.	X		
S	0315000	Counterinsurgency.	X		
T	0316000	English Language	X		
U	0317000	Missiles	X		
V	0318000	Other.	X		
	0319000				
3		FIELD TRAINING SERVICES			
A	0321000	Aircraft Engine/Airframe	X		
B	0322000	Communications/Electronics	X		
C	0323000	Radar Systems.	X		
D	0324000	Armament	X		
E	0325000	Maintenance.	X		
F	0326000	Training/Aids/Devices.	X		
G	0327000	English Language	X		
H	0328000	Missiles	X		
J	0329000	Other.	X		
5		TRAINING OF U.S. MAP PERSONNEL			
A	0381000	Contract Cost.		X	
B	0382000	Training of U.S. MAP Personnel		X	

Phase I and Phase II. Not included as part of Unified Command ceiling but programmed worldwide by Military Departments.

TABLE D-7. (Continued) [Page 22 of 25]

Generic Code	Item Ident. No.	Description/Category	Program as: Major Item	Dollar Line	Remarks
N 5 C	0383000	Language		X	Not included in Unified Command ceiling. Worldwide program prepared by DSAA.
E	0385000	Other Training Costs		X	Not included in Unified Command ceiling. Worldwide program budgeted for by Military Departments for training of U.S. personnel in skill peculiar to MAP assignments.
6		EXTRAORDINARY EXPENSES			
A	0390000	Extraordinary Expenses		X	Not included in Unified Command ceiling. Worldwide program budgeted for by Military Departments.
7		OTHER TRAINING SUPPORT			
A	0361000	Training Exercises		X	
B	0362000	Escort Officers.	X		
C	0363000	Supplies & Materials		X	
D	0364000	Facilities/Rehabilitation.		X	
E	0365000	Services	X		
F	0366000	Other.	X		
G	0367000	Shipment of Instructional Material	X		
Z	0399000	Abbreviated Training Plan Requirement.		X	Not required for FY 84 and future programs. To be used only when training items are unknown at time of programming.
9		TRAINING AIDS			
A	0TNGDEV	Training Aids & Devices.		X	
)	BBKPUB0	Army Books/Publications/Other.		X	
B)	DBKPUB0	Air Force Books/Publications/Other		X	
)	PBKPUB0	Navy Books/Publications/Other.		X	
)	800PCHT	Army PCH&T		X	
X)	D00PCHT	Air Force PCH&T.		X	
)	P00PCHT	Navy PCH&T		X	
P		RESEARCH & DEVELOPMENT			
1		Development of Advance Design Weapons:			
A		Development of Advance Design Weapons . . .00		X	
B		Aircraft Weapons Certification.00		X	

TABLE D-7. (Continued) [Page 23 of 25]

Generic Code	Description	Federal Supply Classification	Major Item	Program as:		Remarks
				Dollar Line		
P 2	Other Development Costs:					
A	Non-Recurring R&D Costs	00 . . . . .	. . . . .	X		
B	First Article Testing	00 . . . . .	. . . . .	X		
Q	CONSTRUCTION					
1	Infrastructure (MAP 1000 System Only):					
A	Infrastructure.	06 . . . . .	. . . . .	X		
2	Other Construction:					
A	Contract Construction	06 . . . . .	. . . . .	X		
B	AME Services.	06 . . . . .	. . . . .	X		
C	U.S. Government Costs	06 . . . . .	. . . . .	X		
D	Construction, AME Services & Administrative Costs - SAO Facilities	06 . . . . .	. . . . .	X		
E	Other Construction.	06 . . . . .	. . . . .	X		
R	SPECIAL ACTIVITIES					
1	International Military Headquarters:					
A	International Military Headquarters	07 . . . . .	. . . . .	X		
2	International Forces Support:					
A	U.N. Forces Support in Korea.	07 . . . . .	. . . . .	X		
B	IAF Support in Dominican Republic	07 . . . . .	. . . . .	X		
D	OAS Peacekeeping Forces	07 . . . . .	. . . . .	X		
3	Expenses, Inspector General Foreign Assistance, State (MAP 1000 System Only):					
A	Expenses, Inspector General Foreign Assistance, State.	07 . . . . .	. . . . .	X		
4	Studies & Surveys:					
A	Studies & Surveys	07 . . . . .	. . . . .	X		
B	Audit Services.	07 . . . . .	. . . . .	X		
C	Quality Assurance Services.	07 . . . . .	. . . . .	X		
5	Weapons Production Projects (MAP 1000 System Only):					
A	Weapons Production.	07 . . . . .	. . . . .	X		
6	Extraordinary Expenses:					
A	Extraordinary Expenses.	07 . . . . .	. . . . .	X		
B	Program Management.	07 . . . . .	. . . . .	X		

TABLE D-7. (Continued) [Page 24 of 25]

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
R 7 A	Ship Transfer Costs:				
	Ship Transfer Costs	07		X	
8 A	Special Insurance:				
	Special Insurance	07		X	
9	Other Special Activities:				
A	Special Activities	07		X	
B	Non-Specific Requirements	07		X	
C	Foreign Currency SAO Support.	07		X	
D	Royalty Payments.	07		X	
E	Loan Fees	07		X	
F	Contract Termination Costs.	07		X	
G	Technical Assistance Field Team (TAF1).	07		X	
H	Asset Use Charge.	07		X	
Z	Other Services.	07		X	
T	ADMINISTRATIVE EXPENSES				
1	Administrative Expenses, Departmental & Headquarters:				
A	Administrative Expenses, Departmental & Headquarters	09		X	
2	SAO Administrative Expenses:				
A	SAO Administrative Expenses	09		X	
B	Security Assistance Support Expenses.	09		X	
3	Contractor Expenses:				
A	Contractor Expenses	09		X	
4	Administrative Surcharges:				
A	Administrative Surcharges	09		X	
U	FOREIGN MILITARY SALES ORDER (FMSO) (FMS 1200 SYSTEM ONLY)				
0 0	Foreign Military Sales Order (FMSO 1)	00		X	
1 0	Inventory Loss (FMSO 2)	00		X	

FOOTNOTE: (1) In those generics where both major item and dollar lines may be added to the MASL, the Military Departments must limit major item lines to those pieces of equipment for which visibility is considered absolutely essential to good program control and supply management.

TABLE D-7. (Continued) [Page 25 of 25]

TABLE D-8
MAP ELEMENT CODE - 1000 SYSTEM

The second and third digits are alphabetic; the fourth digit will normally be the numeric "0" (not the letter O). An alphabetic may be substituted for the "0" in the fourth digit to indicate additional programmed requirements.

Code Levels

1 2 3 4

2. AIR AND MISSILE DEFENSE FORCES

A. Aircraft Forces.

A	0	F-86 Units
B	0	F-100 Units
C	0	F-101 Units
D	0	F-104 Units
E	0	F-4C Units
F	0	F-5 Units
G	0	Other Aircraft Units

B. Surface-to-Air Missile Forces.

A	0	NIKE Units
B	0	HAWK Units
C	0	Other SAM Units
U	0	SAM Operating Support (Attrition and Training Missiles)
V	0	SAM Operating Support (FOS and Secondary Items)

C. Anti-Aircraft Artillery Forces.

A	0	40 mm - AAA Units
B	0	90 mm - AAA Units
C	0	Other AAA Units

D. Communications-Electronic-Meteorological Facilities/Systems.

A	0	AC&W Units
B	0	Other AAA Units

3. GENERAL PURPOSE FORCES

A. Army Combatant Forces.

A	0	Infantry Units
B	0	Armored Units
C	0	Cavalry Units
D	0	Mechanized Units
E	0	Airborne Units
F	0	Separate Artillery Units
G	0	Armored Cavalry Units
H	0	Combat Engineer Units
J	0	HONEST JOHN Units
K	0	Aviation Units
M	0	Other Missile Units

APPENDIX E

CONGRESSIONAL REPORTS INVENTORY AND DSAA REPORTS CONTROL SYSTEM

A. PURPOSE. This appendix provides an up-to-date inventory of statutory reports to Congress covering security assistance matters submitted by the Department of Defense elements. It does not include reports submitted to Congress by the Department of State. An inventory of current DSAA reporting requirements under the Reports Control System is also contained in this appendix. The inclusion of a report in either of these listings does not in any way imply its availability to a SAMM recipient nor its releasability to a nongovernmental requestor. Some reporting requirements are identified elsewhere in the Manual within the applicable topical areas. This appendix also provides reporting instructions on selected reports, not covered elsewhere in this Manual, requiring feeder information from DOD components.

B. CONGRESSIONAL REPORTS INVENTORY. See Table E-6.

C. DSAA REPORTS CONTROL SYSTEM. See Table E-7.

1. The DSAA Reports Control System is managed by the Process Analysis Integration * Division of the Comptroller Directorate, DSAA. Requests for new reporting requirements should be directed to that office. A Reports Control Symbol (RCS) will be assigned according to the nature of the reporting requirement, e.g., whether it relates to MAP, FMS, a combination of programs, or a one-time report. See Table E-4 for the DSAA Reports Control format.

D. REPORTING INSTRUCTIONS.

1. Price and Availability Report (RCS: DSAA(Q)1138).

a. The Price and Availability (P&A) Report, required by Section 28 of the Arms Export Control Act, is forwarded quarterly to members of Congress and top-level Defense and State Department officials. It is an important tool used to inform the Congress of major potential FMS cases and it assists the Congress in carrying out its oversight authority of arms transfers, particularly to the Third World. For these reasons the P&A report must contain complete, accurate, and timely information to serve its intended purpose.

b. It is important that all relevant information is reported regardless of its sensitivity. Releasability will be determined by the Director, DSAA, in conjunction with the Secretary of State.

c. The report is due to the Congress on the 15th of the month following the quarter being reported. Input from the Military Departments is due to the DSAA Comptroller, ATTN: Process Analysis Integration Division, no later than the third day of the month following the * quarter being reported and should be submitted in two parts. (See Table E-1 for format):

(1) Part I should list each price and availability estimate provided during the quarter to a foreign country with respect to a possible FMS sale of major defense equipment (MDE) for \$7 million or more or of any other defense articles or services for \$25 million or more. Each entry should specify the following:

- (a) The name of the country to which the estimate was provided;
- (b) The name of the articles or services involved;
- (c) The quantity involved; and
- (d) The price estimate provided.

(2) Part II should list each request received from a foreign country during the quarter being reported, for the issuance of a letter of offer to sell defense articles or services if (1) the proposed sale was not previously reported under Part I, and (2) the request involves a proposed sale of MDE for \$7 million or more or any other defense articles or services for \$25 million or more. Each entry should include the following:

- (a) The name of the country which made the request;
- (b) The date of the request;
- (c) The defense articles or services involved;
- (d) The quantity involved; and
- (e) Availability terms requested.

(3) Part III A. should list each P&A estimate provided during the quarter to a foreign country for air-to-ground and ground-to-air missiles or associated launchers, without regard to the value of the possible sale. Each entry should specify the following:

- (a) The name of the country to which the estimate was provided;
- (b) A description of the missile including its designation and mission;
- (c) The quantity involved; and
- (d) The price estimate provided.

(4) Part III B. should list each LOR received from a foreign country during the quarter being reported for the issuance of a letter of offer for air-to-ground and ground-to-air missiles or associated launchers, without regard to the amount of the possible sale. Each entry should specify the following:

- (a) The name of the country which made the request;
- (b) The date of the request;
- (c) The defense articles or services involved;
- (d) The quantity involved; and
- (e) Availability terms requested.

To facilitate the development of Parts II and III, IAs should informally coordinate the information with counterparts in the DSAA Operations Directorate.

d. A P&A request is not:

- (1) An oral request;
- (2) A request for data on several systems (i.e., customer is going through a source selection process); however, it becomes a reportable P&A request when the source selection is complete; or
- (3) A request for price/delivery data required to facilitate country decision-making on overall equipment purchase plan or budget.

2. Excess Defense Articles (EDA) Sold Under FMS (RCS:DSAA(O)1118).

a. House Report No. 96-70 on the International Security Assistance Act of 1979, dated 24 March 1979, requires quarterly reporting of all outstanding LOAs and accepted LOAs to sell excess defense articles (EDA) through FMS procedures to foreign governments or international organizations, specifying (1) implementing agency; (2) country; (3) case number; (4) acquisition cost to the U.S. Government; and (5) sales value. The report will include spare parts supplied from defense stocks at inventory price if they are specifically identified as EDA in the LOA, and exclude grants or sales of: MAP redistributable and MAP Owned Materiel (MAPOM) property, ships, scrap, and demilitarized EDA. Implementing agencies are encouraged to initiate separate cases for EDA. However, if separate cases are not used, each case will identify the EDA item(s) therein.

Reports Control Symbol (RCS)	Report Title	Reporting Frequency	Reporting Components	Responsible Office
<u>Other Reports</u> (Continued):				
DSAA(M)1219	DSAA Monthly Fund Status Report	Monthly	Latin American SAOs	DSAA/COMPT/AFD
DSAA(Q)1221	FMS Arrearages	Quarterly	Army, Navy, Air Force, SAAC	DSAA/COMPT/AFD
DSAA(Q)1226	Status of Coproduction Programs Approved Under Security Assistance Program (DOD Directive 2000.9)	Quarterly	Army, Navy, Air Force	DSAA/OPS/MGMT
DSAA(Q)1228	Special Defense Acquisition Fund (SDAF) Inventory Report	Quarterly	Army, Navy, Air Force, DLA, NSA	DSAA/PLANS, SDAF
DSAA(A)1230	Foreign Military Trainee Positions of Prominence and Influence	Every Five Years (First report due 1 Jan 1990)	Unified Commands	DSAA/PLANS/TOM
DSAA(A)1231	Professional Military Education Exchanges	Annually	Army, Navy, Air Force	DSAA/PLANS/TOM
DSAA(SA)1235	Report of SAO Expenditures for Physical Security	Semi- Annually	Unified Commands	DSAA/COMPT/PBD
DSAA(A)1236	Annual Report of Motor Vehicle Data (SF 82)	Annually	Army, Navy, Air Force, SAOs, Unified Commands	DSAA/PLANS/PGM

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TABLE E-7. (Continued) Page 5 of 5.

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TABLE OF CONTENTS

APPENDIX F

TRANSPORTATION COST LOOK-UP TABLE

	Page	
A. Purpose	F-1	
B. Procedures	F-1	
C. Transportation Cost Look-Up Table	F-2	
Table F-1 - CONUS Transportation Costs	F-3	
Table F-2 - Overseas Transportation Costs	F-4	
Table F-3 - Transportation Cost Look-Up Table	F-5	**

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TABLE F-3

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TRANSPORTATION COST LOOK-UP TABLE

		1-Oct-95	1-Oct-95	1-Oct-95
<u>NSN</u>	<u>ITEM</u>	<u>CODE 6*</u>	<u>CODE 8*</u>	<u>CODE 9*</u>
<u>ARMY ANNEX</u>				
<u>ATACMS</u>				
1427-01-274-3904	GUIDED MISSILE AND LAUNCH POD ASSEMBLY, M39	\$2,606	\$1,675	\$16,923
<u>CHAPARRAL</u>				
1410-01-095-3248	MISSILE, GM, INTERCEPT AERIAL, MIM-72E	\$414	\$222	\$1,567
1410-01-150-2863	MISSILE, GM, INTERCEPT AERIAL, MIM-71F	\$414	\$222	\$1,567
1410-01-216-3775	MISSILE, GM, INTERCEPT AERIAL, MIM-72N	\$414	\$222	\$1,567
1440-00-937-3859	SYS, MISSILE, GM INTERCEPT AERIAL, CARRIER MTD, M48	\$14,549	\$4,863	\$84,046
1440-01-069-8877	MISSILE, GM, INTERCEPT AERIAL, CARRIER MTD, M48A1	\$15,362	\$5,676	\$87,530
1440-01-106-3089	MISSILE, GM, INTERCEPT AERIAL, CARRIER MTD, M48A2	\$15,362	\$5,676	\$87,530
1440-01-181-6002	FLIR	\$351	\$252	\$1,631
1440-01-198-5892	MISSILE, GM, INTERCEPT AERIAL, MTD, M48A2E1	\$15,362	\$5,676	\$85,754
4935-01-104-9827	AN/TSM-96A	\$13,710	\$8,197	\$55,325
<u>DRAGON</u>				
1427-00-163-8959	MISSILE	\$147	\$93	\$551
1430-00-078-8340	TRACKER	\$780	\$767	\$1,162
1430-01-046-9594	NIGHT TRACKER	\$833	\$792	\$1,474
<u>HAWK</u>				
1337-00-484-8551	ROCKET MOTOR, M112	\$859	\$604	\$4,915

		1-Oct-95	1-Oct-95	1-Oct-95
<u>NSN</u>	<u>ITEM</u>	<u>CODE 6*</u>	<u>CODE 8*</u>	<u>CODE 9*</u>
1410-00-234-3266	MISSILE	\$2,731	\$1,454	\$12,870
1410-01-173-9990	MISSILE, MEI	\$2,731	\$1,454	\$12,870
1430-00-103-5270	IPCP, AN/MSW-11	\$13,761	\$4,956	\$54,714
1430-00-135-0267	ICWAR	\$8,479	\$2,686	\$33,824
1430-00-169-1859	ICC	\$14,355	\$5,319	\$55,693
1430-00-178-8453	PAR	\$10,707	\$3,061	\$43,303
1430-00-178-8454	ROR	\$7,922	\$2,593	\$33,487
1430-00-782-9816	HPI	\$13,519	\$5,178	\$51,717
1430-00-880-3357	AN/TPQ-29	\$7,304	\$4,225	\$29,771
1430-01-042-4907	ICWAR/PIP, PHASE I	\$8,479	\$2,686	\$33,824
1430-01-042-4908	PAR/PIP, PHASE I	\$13,006	\$4,201	\$53,342
1430-01-042-4910	BCC/PIP, PHASE I	\$7,913	\$4,510	\$32,459
1430-01-042-4915	IPCP, PHASE I	\$13,761	\$4,956	\$54,714
1430-01-042-4918	ICC/PIP, PHASE I	\$14,077	\$5,272	\$55,103
1430-01-078-9643	HPI/PIP, PHASE II	\$13,519	\$5,178	\$51,717
1430-01-084-1130	IBCC, PHASE II	\$7,912	\$4,509	\$32,458
1430-01-084-1131	IPCP, PHASE II	\$13,983	\$5,178	\$72,009
1430-01-180-5318	PCP/PIP PHASE III	\$14,077	\$5,272	\$55,103
1430-01-181-5884	B&P, PHASE III	\$14,077	\$5,272	\$55,103
1430-01-184-6768	CWAR/PIP PHASE III	\$7,643	\$2,546	\$30,430
1430-01-191-8780	HPI/PIP PHASE III	\$13,519	\$5,178	\$51,717
1440-00-602-5055	LSCB, PHASE I	\$159	\$143	\$633
1440-00-805-3012	LAUNCHER	\$8,042	\$4,477	\$33,304
1450-00-066-8873	LOADER, XM501E3	\$6,075	\$2,136	\$24,427
4935-00-133-9770	SHOP EQUIP, AN/TSM-112 W/SM 35 BEAM	\$2,496	\$1,848	\$9,288
4935-00-604-7460	IAFU OMC GRD	\$1,887	\$1,563	\$5,830
4935-00-782-1957	SHOP EQUIP, AN/TSM-105	\$7,304	\$4,225	\$29,771
4935-00-880-4510	SHOP EQUIP, AN/TSM-107	\$7,304	\$4,225	\$29,771
4935-01-042-4909	SHOP EQUIP, AN/TSM-107 PIP PHASE I	\$8,302	\$5,223	\$30,769
4935-01-043-2244	SHOP EQUIP (NO. 1), PHASE I	\$9,436	\$5,223	\$39,495
4935-01-051-8691	SHOP EQUIP, AN/TSM-104, PHASE 1	\$7,304	\$4,225	\$29,249
4935-01-067-3362	SHOP EQUIP, GM, AN/TSM-120, PHASE II	\$2,496	\$1,848	\$9,967
4935-01-083-3128	SHOP EQUIP (NO. 8), PHASE II	\$6,807	\$2,405	\$26,308

		1-Oct-95	1-Oct-95	1-Oct-95
<u>NSN</u>	<u>ITEM</u>	<u>CODE 6*</u>	<u>CODE 8*</u>	<u>CODE 9*</u>
4935-01-083-3129	SHOP EQUIP (NO. 1), PHASE II	\$9,436	\$5,223	\$39,495
4935-01-085-5618	SHOP EQUIP (NO. 9), PHASE II	\$5,972	\$2,265	\$22,536
4935-01-085-5679	SHOP EQUIP (NO. 9), PHASE II	\$4,249	\$3,601	\$13,953
4935-01-091-4450	TAS MAINT. KIT PHASE II	\$2,265	\$1,455	\$8,997
4935-01-218-7088	SHOP EQUIP (NO. 8), PHASE III	\$6,807	\$2,405	\$26,308
4935-01-218-7089	SHOP EQUIP (NO. 1), PHASE III	\$8,322	\$3,920	\$29,972
4935-01-223-9122	T.A.G., PHASE III	\$3,289	\$2,965	\$11,141
4935-01-282-9256	SHOP EQUIP (NO. 20), PHASE III	\$24,028	\$6,419	\$101,003
4935-01-286-5599	SHOP EQUIP (NO. 21), PHASE III	\$23,677	\$6,068	\$100,652
5821-00-102-8668	TRANSMITTING SET	\$159	\$143	\$512
 <u>HELLFIRE</u>				
1410-01-126-4662	AGM-114A MISSILE	\$228	\$148	\$968
1410-01-192-0293	AGM-114C MISSILE	\$228	\$148	\$968
1410-01-332-2471	AGM-114F MISSILE	\$263	\$174	\$1,073
 <u>HELICOPTER, UH-1H</u>				
2840-01-070-1003	ENGINE A/C TURBO SHAFT	\$949	\$437	\$1,181
2840-01-093-7451	ENGINE A/C TURBO SHAFT	\$1,086	\$574	\$1,789
2840-01-284-4011	ENGINE, 701C	\$835	\$323	\$976
2835-01-172-6200	ENGINE, GAS TURBINE	\$450	\$193	\$464
1615-00-183-0834	TRANSMISSION ASSEMBLY	\$919	\$407	\$1,120
1615-01-056-4550	HUB ASSEMBLY, MAIN ROTOR	\$846	\$334	\$1,017
1615-01-096-5427	HUB ASSEMBLY	\$553	\$297	\$796
1615-01-237-0512	HUB ASSEMBLY, MAIN	\$839	\$327	\$992
1615-01-230-6218	GEAR BOX ASSEMBLY INPUT	\$444	\$188	\$443
1615-01-145-3928	GEAR BOX, MAIN	\$1,194	\$682	\$835
1615-01-168-2983	GEAR BOX, MAIN	\$1,194	\$682	\$835
1615-01-306-6948	HEAD, ROTOR WING	\$2,424	\$1,143	\$3,718
1615-01-252-6376	TRANSMISSION	\$1,327	\$815	\$2,735
1615-01-310-4978	BLADE, ROTARY WING	\$1,136	\$367	\$1,284
2915-01-005-9197	FUEL CONTROL, MAIN	\$401	\$145	\$206
2915-01-216-9779	FUEL CONTROL, MAIN	\$401	\$145	\$206

		1-Oct-95	1-Oct-95	1-Oct-95
<u>NSN</u>	<u>ITEM</u>	<u>CODE 6*</u>	<u>CODE 8*</u>	<u>CODE 9*</u>
1650-01-273-7608	SERVOCYLINDER	\$401	\$145	\$231
1615-01-284-6419	MAIN GEAR BOX	\$1,194	\$682	\$2,212
1615-01-075-5283	HUB ASSEMBLY, MAIN ROTOR	\$2,022	\$997	\$3,114
1615-01-106-1903	MAIN ROTOR BLADE MODULE	\$1,269	\$500	\$1,654
1615-01-017-9926	HUB, MAIN ROTOR	\$1,485	\$445	\$1,427
6675-01-071-5552	POSITION AND AZIMUTH DETERMINING SYSTEM	\$1,306	\$537	\$1,446
2840-00-134-4803	ENGINE, AIRCRAFT TURBINE SHAFT	\$1,086	\$574	\$1,483
<u>MLRS</u>				
1055-01-192-0358	MLRS LAUNCHER (201 CONFIG)	\$18,342	\$5,433	\$131,294
1055-01-251-9756	MLRS LAUNCHER (202 CONFIG)	\$18,342	\$5,433	\$131,294
1055-01-329-6826	MLRS LAUNCHER (203 CONFIG)	\$18,342	\$5,433	\$131,294
1340-01-122-3506	MLRS ROCKET POD, TACTICAL	\$2,609	\$1,497	\$17,252
1340-01-149-0918	MLRS ROCKET POD, PRACTICE	\$2,609	\$1,497	\$17,252
<u>PATRIOT</u>				
1410-01-087-6343	GM, INTERCEPT AERIAL, MIM-104	\$4,283	\$2,367	\$14,855
1410-01-205-7066	GM, INTERCEPT AERIAL, MIM-104-A	\$4,283	\$2,367	\$14,855
1410-01-267-6685	GM, INTERCEPT AERIAL, MIM-104-B	\$4,283	\$2,367	\$14,855
1410-01-286-9689	GM, INTERCEPT AERIAL, MIM-104-C	\$4,283	\$2,367	\$14,855
1430-01-087-6330	RADAR SET, AN/MPQ-53	\$30,340	\$8,560	\$146,146
1430-01-087-6337	AN/MSQ-116, INFORMATION COORDINATION CENTRAL	\$28,449	\$8,291	\$121,565
1430-01-087-6338	AN/MGQ-104, ENGAGEMENT CONTROL STATION	\$31,688	\$8,291	\$124,700
1430-01-131-5373	ANTENNA MAST GROUP OA-9054 (V) 4/G	\$27,245	\$7,782	\$129,267
1430-01-131-5427	AN/MRC-137 COMMUNICATIONS CONTROL GROUP	\$28,047	\$7,889	\$113,778
1440-01-087-9844	M901, LAUNCHING STATION	\$28,047	\$7,889	\$114,057

		1-Oct-95	1-Oct-95	1-Oct-95
<u>NSN</u>	<u>ITEM</u>	<u>CODE 6*</u>	<u>CODE 8*</u>	<u>CODE 9*</u>
4935-01-136-0233	SHOP EQUIPMENT, GM	\$24,185	\$6,207	\$97,403
	SYSTEM, AN/TSM-16 (BMG)			
2330-01-130-7980	SEMI-TRAILER,	\$23,914	\$6,168	\$96,590
	MAINTENANCE M1032 (SRPT)			
4935-01-134-8713	SHOP EQUIPMENT, GM	\$26,977	\$6,207	\$97,403
	SYSTEM AN/TSM-163 (BME)			
4935-01-182-0578	MAINTENANCE CENTER	\$26,966	\$7,735	\$119,950
	CONTACT TEAM			
	AN/TCM-1			
6130-01-109-9112	POWER SUPPLY	\$863	\$701	\$6,449
1430-01-239-6723	MODULATOR	\$1,054	\$815	\$5,624
1430-01-260-4963	EXCITER GROUP	\$1,403	\$1,362	\$2,981
1430-01-111-2419	MICROWAVE DEVICE	\$374	\$264	\$1,473
1430-01-092-4032	EXCITER GROUP	\$1,387	\$1,355	\$2,920
1430-01-234-1498	MICROWAVE DEVICE	\$578	\$424	\$2,181
1430-01-219-5560	COOLER LIQUID	\$863	\$701	\$4,523
1430-01-139-9738	EXCITER GROUP	\$238	\$193	\$848
5960-01-110-2668	ELECTRON TUBE	\$289	\$232	\$1,147
5960-01-091-0668	ELECTRON TUBE	\$260	\$203	\$923
1430-01-387-8436	GM, INTERCEPT AERIAL,	\$4,283	\$2,367	\$14,855
	MIM-104-D			

REDEYE

1425-00-930-9923	M41 GUIDED MISSILE SYS	\$123	\$81	\$380
1425-01-078-9258	M41 MISSILE W/METL CONT.	\$149	\$92	\$508
1425-01-078-9259	M41 MISSILE ASSEMBLY	\$123	\$81	\$380
6920-00-809-0399	GUIDED MISSILE TRAINING SET	\$341	\$312	\$948

STINGER

1425-01-024-9982	WPN ROUND	\$210	\$132	\$675
1427-01-024-9967	MSL ROUND	\$130	\$82	\$529
1427-01-219-7116	WPN ROUND, LESS	\$172	\$99	\$554
	GRIPSTOCK			
1427-01-325-3158	MISSILE ROUND	\$130	\$82	\$529
1427-01-325-3160	WEAPON ROUND, PARTIAL	\$145	\$88	\$538
1440-01-170-8618	GRIPSTOCK - CONTROL	\$38	\$33	\$121
	GROUP			
1440-01-281-9458	GRIPSTOCK, CONTROL GROUP	\$38	\$33	\$121
6920-01-024-6948	THT	\$326	\$289	\$1,052
6920-01-246-0701	CAPTIVE FLIGHT TRAINER	\$326	\$289	\$966
6920-01-283-7826	TRAINING SET	\$326	\$289	\$1,052

		1-Oct-95	1-Oct-95	1-Oct-95
<u>NSN</u>	<u>ITEM</u>	<u>CODE 6*</u>	<u>CODE 8*</u>	<u>CODE 9*</u>
<u>THERMAL IMAGERY</u>				
5855-01-037-7340	NIGHT SIGHT, AN/TAS-6	\$618	\$603	\$1,234
5855-01-037-7341	AN/TAM-3	\$297	\$207	\$1,136
5855-01-083-9051	AN/UAS-11	\$782	\$669	\$2,577
5855-01-154-3871	AN/TAM-3A	\$566	\$387	\$2,133
5855-01-173-0808	NIGHT SIGHT, AN/UAS-12B	\$665	\$622	\$1,864
<u>TOW</u>				
1410-01-007-2507	MISSILE	\$122	\$80	\$532
1410-01-007-2508	MISSILE	\$117	\$75	\$513
1410-01-106-8514	I-TOW	\$122	\$80	\$524
1410-01-135-2092	TOW-2 MISSILE	\$122	\$80	\$524
1410-01-137-9976	MISSILE, PRACTICE	\$117	\$75	\$513
1410-01-180-6790	I-TOW MISSILE W/CLM & MVIC	\$122	\$80	\$524
1410-01-229-9948	MISSILE	\$122	\$80	\$518
1410-01-257-7583	I-TOW MISSILE	\$122	\$80	\$524
1410-01-257-7584	TOW MISSILE, W/CLM	\$122	\$80	\$524
1410-01-257-7585	TOW PRACTICE MISSILE, W/CLM	\$117	\$75	\$513
1410-01-300-0254	TOW-2A MISSILE W/CLM, BGM-71E-1B	\$122	\$80	\$524
1410-01-301-0815	TOW-2 MISSILE W/CLM, BGM-71D-1B	\$122	\$80	\$524
1410-01-303-5172	TOW-2 MISSILE	\$117	\$75	\$513
1410-01-309-8302	TOW PRACTICE MISSILE W/CLM, BTM-71A-1B	\$117	\$75	\$513
1410-01-309-8303	I-TOW MISSILE W/CLM, BGM-71C-2B	\$122	\$80	\$524
1410-01-313-5364	TOW PRACTICE MISSILE W/CLM & DEU	\$117	\$75	\$513
1410-01-313-5365	I-TOW MISSILE, W/CLM & DEU	\$122	\$80	\$524
1410-01-313-5366	TOW-2 MISSILE	\$122	\$80	\$524
1410-01-313-5367	TOW-2A MISSILE	\$122	\$80	\$524
1410-01-322-5333	TOW-2B MISSILE	\$122	\$80	\$524
1410-01-343-8924	BTM-71E-2B PRACTICE MISSILE	\$117	\$75	\$513

		1-Oct-95	1-Oct-95	1-Oct-95
<u>NSN</u>	<u>ITEM</u>	<u>CODE 6*</u>	<u>CODE 8*</u>	<u>CODE 9*</u>
1410-01-370-2288	TOW, 2A GUIDED MISSILE BGM-71E-4B	\$122	\$80	\$524
1410-01-370-2289	TOW, 2A GUIDED MISSILE BGM-71E-4B	\$122	\$80	\$524
1410-01-370-2292	TOW, 2A PRACTICE MISSILE BTM-7E-3B	\$117	\$75	\$513
1440-00-169-1764	LCHR	\$1,530	\$1,206	\$4,331
1440-01-104-9834	LCHR, TUBULAR, GM, TOW-2	\$1,530	\$1,206	\$4,802
1440-01-271-3015	TOW-2 LAUNCHER	\$1,530	\$1,206	\$4,802
1440-01-298-9788	TOW-2 LAUNCHER	\$1,530	\$1,206	\$4,802
4935-00-150-5905	CSS	\$3,266	\$1,808	\$14,726
4935-01-070-3426	FIELD TEST SET, TOW 2	\$975	\$651	\$4,166
4935-01-082-7023	ICSS	\$3,221	\$1,763	\$14,681
4935-01-114-3919	CSS, TOW-2	\$3,221	\$1,763	\$14,681
4935-01-142-9561	FIELD TEST SET	\$975	\$651	\$4,166
4940-01-154-3957	IMP. CSS, TOW-2	\$5,962	\$3,045	\$25,117
5855-01-083-9053	NIGHT SIGHT, AN/TAS-4A	\$817	\$785	\$1,762
5855-01-152-8781	NIGHT SIGHT, AN/UAS-12A	\$826	\$789	\$1,815
5855-01-245-8689	NIGHT SIGHT, AN/UAS-12A	\$826	\$789	\$1,815
5855-01-301-0158	NIGHT SIGHT, AN/UAS-12C	\$826	\$789	\$1,815
6130-01-018-9786	BATTERY CHARGER	\$168	\$131	\$778
6920-00-179-7320	M70 TRAINER, TOW	\$1,055	\$731	\$4,082
6920-01-145-6098	M70 TRAINER, TOW-2	\$1,055	\$731	\$4,082
1410-01-379-8253	BGM-71E-6B	\$122	\$80	\$524

NAVY ANNEX**HARM MISSILE**

1337-01-162-3421	ROCKET MOTOR SECTION	\$1,290	\$1,216	\$1,820
1337-01-162-3422	WARHEAD SECTION	\$1,290	\$1,216	\$1,820
1410-01-242-4880	TACTICAL MISSILE	\$4,715	\$4,115	\$9,683
1420-00-237-4082	GUIDANCE SECTION	\$1,290	\$1,216	\$1,820
1420-01-241-5790	CONTROL SECTION	\$1,290	\$1,216	\$1,820

		1-Oct-95	1-Oct-95	1-Oct-95
<u>NSN</u>	<u>ITEM</u>	<u>CODE 6*</u>	<u>CODE 8*</u>	<u>CODE 9*</u>
<u>HARPOON MISSILE</u>				
1410-01-181-8546	AGM-84D-1	\$867	\$611	\$4,846
1410-01-181-2268	ATM-84D-1	\$867	\$611	\$4,846
1410-01-181-8547	RGM-84D-1	\$1,309	\$932	\$6,557
1410-01-181-8550	RTM-84D-1	\$1,309	\$932	\$6,557
1410-01-181-8548	RGM-84D-2	\$1,309	\$932	\$6,557
1410-01-181-8552	RTM-84D-2	\$1,309	\$932	\$6,557
1410-01-139-1741	RGM-84D-3	\$1,350	\$972	\$6,641
1410-01-139-1744	RTM-84D-3	\$1,350	\$972	\$6,641
1410-01-181-8549	RGM-84D-4	\$1,356	\$979	\$6,940
1410-01-139-1748	RTM-84D-4	\$1,356	\$979	\$6,940
1410-01-181-8549	UGM-84D-1	\$2,728	\$988	\$7,352
1410-01-181-8556	UTM-84D-1	\$2,728	\$988	\$7,352
<u>MK 46 TORPEDO</u>				
1356-01-282-4662	TORPEDO, MK 46 MOD 5A(S)	\$769	\$494	\$3,658
<u>SIDEWINDER MISSILE</u>				
1336-01-017-4030	SAFETY-ARMING DEVICE MK 13 MOD 2	\$38	\$20	\$276
1336-01-044-7430	WDU-17/B	\$67	\$34	\$280
1337-01-145-1963	ROCKET MOTOR MOD 11	\$229	\$117	\$760
1337-01-090-9294	ROCKET MOTOR MOD 8	\$229	\$117	\$760
1337-01-145-9360	ROCKET MOTOR MOD 10	\$229	\$117	\$760
1420-01-101-8233	TARGET DETECTOR DSU-15A/B	\$312	\$306	\$904
1420-01-231-1509	TARGET DETECTOR DSU-15B/B	\$312	\$306	\$904
1427-01-114-2054	GUIDANCE & CONTROL WGU-4A/B	\$628	\$607	\$1,292
1427-01-041-8459	GUIDANCE & CONTROL AN/DSQ-29	\$628	\$607	\$1,292
1427-01-369-3383	GUIDANCE & CONTROL WGU-31/B	\$628	\$607	\$1,292
<u>SPARROW MISSILE</u>				
1410-00-149-3507	AIM-7M(F-1 BUILD)	\$3,834	\$3,637	\$4,317
1410-00-306-0435	AIM-7M(H BUILD)	\$3,834	\$3,637	\$4,317
1410-00-320-4823	RIM-7P	\$3,834	\$3,637	\$4,317
1410-00-149-3508	RIM-7M(F-1 BUILD)	\$2,274	\$1,988	\$3,896
1410-00-306-0434	RIM-7M(H BUILD)	\$2,274	\$1,988	\$3,896
1410-00-341-9221	RIM-7/VL	\$2,274	\$1,988	\$3,896

NSN	ITEM	1-Oct-95 CODE 6*	1-Oct-95 CODE 8*	1-Oct-95 CODE 9*
<u>P-3 AIRCRAFT</u>				
MODEL# 6846954	T-56 ENGINE	\$3,192	\$1,455	\$6,374
<u>TOMAHAWK MISSILE</u>				
1410-01-344-5355	UGM-109C	\$2,562	\$1,885	\$3,173
<u>AIR FORCE ANNEX</u>				
<u>MAVERICK MISSILE</u>				
1410-01-101-8490JE	AGM-65A	\$781	\$499	\$3,202
1410-00-238-1486JE	AGM-65A	\$781	\$499	\$3,202
1410-01-089-2505JE	AGM-65B	\$781	\$499	\$3,202
1410-00-125-6760JE	AGM-65B	\$781	\$499	\$3,202
1410-01-244-0603JE	AGM-65D	\$781	\$499	\$3,284
1410-01-244-5628JE	AGM-65E	\$761	\$489	\$4,221
<u>AMRAAM</u>				
1410-01-301-3317A1	AIM-120A	\$714	\$629	\$2,298
1410-01-320-7531	AIM-120A	\$714	\$629	\$2,298
1410-01-375-0438	AIM-120A	\$714	\$629	\$2,298
1410-01-375-0439	AIM-120A	\$714	\$629	\$2,298
1410-01-379-4896	AIM-120B	\$714	\$629	\$2,298
1410-01-3364-8453A	CONTROL SECTION	\$417	\$390	\$607
1337-01-383-9721	PROPULSION SECTION	\$482	\$423	\$2,132
1336-01-385-3212	WARHEAD SECTION	\$417	\$390	\$655
1420-01-381-3232AL	GUIDANCE SECTION	\$482	\$423	\$1,678
<u>SIDEWINDER MISSILE</u>				
1410-01-135-2771AB	AIM-9L	\$202	\$135	\$1,238
1410-01-137-5971AB	AIM-9E-2	\$202	\$135	\$1,238
1410-01-137-5972AB	AIM-9P-3	\$202	\$135	\$1,238
1410-01-162-9395AB	AIM-9M-3	\$202	\$135	\$1,238
1427-01-255-3015XZ	AIM-9P-4 GCS	\$76	\$56	\$283
1427-01-342-3811XZ	AIM-9P-4 GCS	\$76	\$56	\$283
1427-01-346-8789XZ	AIM-9P-4 GCS	\$76	\$56	\$283

<u>NSN</u>	<u>ITEM</u>	1-Oct-95	1-Oct-95	1-Oct-95
		<u>CODE 6*</u>	<u>CODE 8*</u>	<u>CODE 9*</u>
<u>SPARROW MISSILE</u>				
1410-01-168-3591BL AIM-7M		\$27	\$15	\$137
1410-01-168-3592BL AIM-7M		\$27	\$15	\$137
1410-01-308-3789BL AIM-7M		\$27	\$15	\$137
1410-01-308-3788BL AIM-7M		\$27	\$15	\$137
1410-01-135-6176BL AIM-7E		\$27	\$15	\$137
1410-01-326-3308BL AIM-7 GCS		\$27	\$15	\$137

*If the priority changes and the actual delivery of material does not correspond with the Delivery Term Code (DTC) designated in the LOA, a Transportation Bill Code (TBC) indicating the actual method of shipment is to be entered on the DD Form 1517 (Position 59).

A

AECA (Arms Export Control Act)
 Authority, 200-1, 202-1
 Brooke Amendment, 1100-3
 Chapter 6 Leases, 1200-1
 Eligibility, 202-1, Table 600-1
 Section 1, Sales Policy, 202-2
 2 Foreign Policy. Sec of State 2(b), 202-1
 2b Suspension, Cancellation, 203-8
 3(a)(1) Pres Determination, 202-1
 3(a)(2) Transfer, 203-1, 600-3
 3(c) Violations, 203-1, 900-2
 3(f) Terrorism, 203-1, 900-2
 4 Proper Use of Materiel, 203-1, 900-2
 5, 6 Prohibition Against Discrim, Intim,
 Harass, 202-2, 900-2
 21 Sales From Stock, 202-2, 1307-2
 Payment US Dollars, 202-4
 Payment in Kind (barter) 21(h), 202-4
 Diversions 21(i), 802-2
 22 Procurement for Sales, 202-2
 23 Credit Sales, 202-4, 900-1 (See Credit/
 Loan/Financing)
 24 Guaranties, 202-5, 900-1 (See Credit/
 Loan/Financing)
 25 Annual Report, 902-1
 27 Cooperative Projects, 1401-10
 Certification, 1401-13
 Implementation, 1401-12
 Waivers/Reduction of Charges, 1401-12
 26 Security Assistance Surveys, 400-5,
 Table 400-1
 29 Foreign Military Construction Sales
 (FMSCS), 202-3
 30 General Authority, GFE/GFM, 603-1
 35 Termination, 202-2
 36(b) Congressional Notifications and Reports
 of FMS, 703-1
 37 DoD Use of Credit Payments, 202-4
 38 Arms Control, 38(a)(2), Munitions List,
 38(a), 202-1
 42(a)(3) Arms Control, 202-1
 42(b) Coproduction Notification by DoS,
 900-3, 1401-3
 42(c) Credit Funds Procure Outside US, 202-2,
 MAP 1100-2
 42(e) Suspension, Cancellation, 203-8
 47 Defense Articles/Services, 202-1, 1002-2
 47(7) Direct Commercial Exports, 202-1
 51(a)(3) Logistics, 802-1
**AIASA, (Annual Integrated Assessment
 for Security Assistance), 902-1, 1000-2**
ASD (Assistant Secretary of Defense)
 (C), 300-2, 1301-1
 (ISA), 902-1
 (ISP), 902-1

Acceptance of Offer, 701-10
 Accessorial Rates, 1307-9
 Acquisition, 801-1
 Addresses of LOA Processing Activities,
 701-11

Administrative

Budget, 1302-1
 Charges, 1307-4, 1307-5
 Expenses, SDAF, 1400-2
 MAP, 1302-2, 1302-5

Advance

Notification Data, 703-14
 Section 36(b)(1) Notification, 703-1, 703-3

Agent Fees, 801-1, 801-4

Agents/Appointment, 801-6

Air Travel, Commercial, 202-4

Aircraft Movement, LOA, 701-28

**Amendments (to LOAs), 701-3, 701-24,
 804-1, 804-7**

Acceptance, 804-1

Coordination, 1301-1

Countersignature, DSAA, 701-3, 804-1, 804-2

Pen and Ink Changes, 701-10

Preparation, 804-5

Sample, 804-7

Ammunition, LOA, 701-9

Anti-Terrorism Training, 203-2

Apportionment, 902-1

Appropriations, 200-1

Approval

Authority, SecState, AECA/2(b), 202-1

Armaments Cooperation Programs, 300-10

**Arms Control, AECA/38(a)(2) 42(a)(3),
 FAA/511, 202-1**

Arrearage, Late Payments, 1309-1

Articles

from Stock, 1307-2

from Procurement, 1307-3

Assistance-In-Kind, 1302-2

Atomic Energy Act, 202-2

Audits and Inspections, 1303-1

**Authorized Charges, 1307-4
 (See Costs/Pricing)**

B

**Baggage Weight Allowance for IMS,
 1001-8**

Billing, 1308-1, 1308-2

DD-COMP(M) 1517, "FMS Detail Billing
 Report," 1308-1

DD Form 645, "FMS Billing Statement,"
 1308-2

Delinquent Accounts, 1309-1

Elements, 1308-2

FMS Delivery Listing, 1308-2

Interest Assessment, 1309-2

Key Dates, 1304-10
 Office, 1308-3
 Quarterly, 1308-2
Blanket Order Cases, 700-2, 700-3
 Items Restricted, 700-3
 Training, 700-3
Bona Fide Agent, 801-4
Brooke Amendment, 1001-13, 1100-3
Budget Authority/Execution
 Administrative Budget, 1302-1
 Closure, 1305-2
 DD Form 2060 (Obligational Authority), 1302-1
 DD Form 2061 (Planning Directive), 1302-1
 Reconciliation, 1305-1
 SAO Budget, 1302-1
Budget Call, 1302-6
Budget Year Priority Codes, IMET, 1001-10
Buyout, 802-4

C

C-12 Management, 1303-6 (See SAO)
CAS (Contract Administration), 1301-3,
1301-9, 1307-9
 Reciprocal Agreements, 1301-9
 SDAF, 1400-1
CCBL (Collect Commercial Bill Lading),
802-9
CLSSA, 700-3, 802-1
 FMSO I, II, 700-3, 1307-5
 Non-CLSSA, 802-2
COMSEC, 600-5
CRA, 200-1
Cancellation(s), 1307-4
 Administrative Fee, 1307-4, 1307-5
 Charges, 1307-5
 of SA AECA/2(b), 42(e), 203-7, 203-8
Capitalization, SDAF, 1400-2
Cash
 Prior to Delivery, 1301-6
 with Acceptance, 1301-6
Cash Flow Financing, 900-3
Case(s) (See LOA)
 Blanket Order, 700-2
 Cancellation, 1307-4, 1307-5
 Case Management, 704-1
 Case Manager, 704-4
 Closure, 1305-2, 1307-5
 Cooperative Logistics Supply Support
 Arrangements (CLSSA), 700-3
 Defined Order, 700-2
 File, 1306-1
 Identifier, 1500-1
 Implementation and Execution, 800-1, 800-2
 Level Accounting, 1304-6
 Reconciliation, 1305-1
Changes
 in Scope, 804-1

Pen-and-Ink, 701-10, 804-1
 to LOA, 701-10, 701-11
Charges, FMS Summary, 1307-10
Civilian
 Commissary and Exchange Privileges, 1004-1
 Institutions, Training at, 1002-2
 Ranks, Descriptions of, 1005-1
 Training of, 1002-2
Classified Information, Articles/Services,
502-1
 AECA 36(b) Notifications, 703-1
 Case Level Data, 502-4
 Courses, Attendance, 1004-1
 Declassification, 502-2, 502-5
 Diplomatic Mission, 502-5
 Direct Commercial Contracts, 900-3
 Disclosure, 501-1
 FMS Agreements, 502-4
 False Impressions, 501-2
 Foreign Country Equivalent Classifications,
 503-10
 Industrial Security, 501-2
 Materiel, Access, 1004-1
 Plans and Programs, 502-4
 Program Data, 502-4
 Shipments of Materiel, 501-3, 501-4
 Transmission of Materiel, 501-3
 Transportation, 802-9
Closure/Case, 1305-2
Code(s) (See Country/International
Organization Information)
 Budget Year Priority, 1001-10
 Country/Organization, 600-7
 Delivery Term, 701-22
 Freight Forwarder, 701-23
 Generic Code, 701-4, 1503-3, 1503-6, D-9, D-27
 LOA Designator, D-73
 MDE/Non-MDE Indicator (MASL), 700-2,
 701-21, D-11
 Mark For, 701-23
 National Stock Number, D-13
 Offer Release, 701-22
 Record Serial Number, D-15
 Routing Identifier Code (MILSTRIP), D-12
 SDAF, Delivery, 1400-9
 Serviceable, 701-21
 Source, 701-21, 1301-7
 Training, Analysis, IMET, 1001-10
 Type of Assistance, 701-21, 1301-5, 1301-7
 Unit of Issue, D-18
Collection of FMS Payments, 1304-5,
1304-10
 SAAC, 1309-1
 (See Payments)
 Trust Fund Accounts, 1304-5
Commercial Exports, AECA/47(7), 202-1
Commercial Interface with SAOs, 602-3
 (See Direct Commercial Sales)

- Commercial Purchases, 902-4**
 - Cargoes Financed with FMS Loan Funds, 902-4
 - FMS Credit Guidelines, 902-5
 - Policies and Procedures, 902-4
- Commercial Sales (See Direct Commercial Sales)**
- Commissions, 801-1, 801-4**
- Commitments, Delivery, 202-3**
- Committees**
 - on Foreign Affairs (House), 703-2
 - on Foreign Relations (Senate), 703-2
- Communications Security (COMSEC) Programs, 600-5**
- Communist Controlled Countries, FAA/614(a), 620(F), 203-1**
- Condition Code, 701-21**
- Conferences, Costs, 702-2**
- Congress, 300-1**
 - Appropriations, 902-1
 - Authorizations, 902-1
 - Delegations (CODELS), 1303-6
 - Reports Inventory, E-10
 - Section 36(b) Notifications, 703-1, 703-14, 703-15, 1401-2
 - Advance Sec 36(b), 703-3
 - Statutory Notification Data, 703-18
 - Submission Classification, 703-10
 - Submission Criteria, 703-6
 - Submission Military Justification, 703-17
 - Submission Procedures, 703-8
 - Submission Sensitivity of Technology, 703-20, 703-22
- Constraints on Purchaser Eligibility, 203-1, 600-1**
 - Communist-Controlled Countries, FAA/614(a), 620(F), 203-1
 - Narcotics, FAA/481(h), 203-1
 - Nationalization of US Property, FAA/620(e), 203-1
 - Police Training, FAA 660, 203-1
 - Proper Use of Materiel, AECA/4, FAA/502, 203-1
 - Terrorism, AECA/3(f), FAA/620, 203-1
 - Transfer, AECA/3(a)(2), FAA 505(a), 203-1
 - Violations, AECA/3(c), FAA 505(d), 203-1
- Construction Sales, AECA, Sec 29, 600-4**
- Contingency Requirements, 702-3**
- Contract Administration, See CAS**
- Contract Audit Services, 1307-9**
- Contract Field Services (CFS) Personnel, 1003-6**
- Contract Termination, 203-8**
- Contractor(s)**
 - Certification, 902-59
 - Certification and Agreement, 902-59
 - Essential Contract Elements, 902-54
 - Financing (see Credit/Loan/Financing)
 - Holdback, 701-2
 - Training, 1002-2
- Contractual Process**
 - Foreign Country Involvement, 502-5
 - Release of Data, 502-5
- Contributed Currencies, 1302-2**
- Control of Foreign Representatives, 501-2**
- Cooperative Logistics Supply Support Arrangements (CLSSA), 700-3**
- Cooperative Projects, 1401-10**
- Coproduction, 502-3, 1401-1, 1401-2**
 - DSAA Advice to DoS, 1401-4
- Cost(s)/Pricing, 1307-1**
 - Administrative Charges, 1307-4
 - Accessorial Charges
 - PC&H, Transp, Prepositioning, Staging, 1307-4
 - Accuracy, 1304-3
 - Agent Fees, 801-1, 801-4
 - Articles from Procurement, 1307-3
 - Articles from Stock, 1307-2
 - SDAF, 1400-5
 - Asset Use, Tooling/Facility Rental, 1307-8
 - Attrition/Training, 1307-8
 - CAS, 1307-9
 - Reciprocal Agreements, 1301-9
 - CLSSA, FMSO I, II Cancellation, 1307-5
 - Case Cancellation, 1307-4
 - Commissions, 801-1, 801-4
 - Conferences, 702-2
 - Direct/Indirect, 1307-1
 - Estimated Prices, 1307-1
 - Extraordinary Expenses, 1000-4
 - Firm Prices, 1307-2
 - Logistics Support Charge, 1307-6
 - Nonrecurring Cost, 1307-6
 - Quality Assurance, 1307-9
 - Recoupment Waivers, 1301-2
 - Recovery, Full, 202-4, 1301-1
 - Replacement Factors, 1307-2
 - Pricing-Services (MAP), 1100-2
 - SDAF, 1400-5, 1400-6
 - Secondary Items, 1307-2
 - Segregating and Accounting, 1304-7
 - Single Selling Price, 1307-1
 - Summary of FMS Charges, 1307-10
 - Surveys, 702-2
 - Training, 1307-1
 - Transportation Cost Look-Up, F-1
 - Tuition Rates, 1002-2
 - Waiver of Admin, 1301-3
 - Waiver
 - Cooperative Projects, 1401-12
 - of NC, 1301-2
 - of QA, Audit, CAS, 1301-3
 - Waiver of Tooling Rental, 1301-2
- Countersignature/DSAA, 701-3, 804-1, 804-3**
 - Not Required, 804-2, 804-3

Counterterrorism Training, 203-1
Country/International Organization Information
 Code, FMS, 600-7
 Unified Command, 600-7
 Congressional Region, 600-7
 AECA Eligibility, 600-7
 Dependable Undertaking Authorized, 600-7
 Defense Transportation Service Authorized, 600-7
Country Liaison Personnel, 1004-3
Country Representatives, 602-4
Country Responsibility, 600-2
Credit/Loans/Financial Management, 202-4
 AECA, 900-1
 Administration, 1301-8
 Approval, 901-1, 902-3, 902-41/42
 Authorization, Appropriation, Apportionment, 902-1
 Brooke Amendment, 902-7
 Ceiling, 900-2
 Classified Materials, 900-3
 Commercial Purchases, 902-4
 Commercial Letters of Credit, 902-48
 Commissions/Contingency Fees, 902-47
 Commitment of Funds, 902-3
 Concessionary, AECA/23, 202-4
 Contractor, 902-42, 902-45
 Contractor Certification, 902-50, 902-59
 Conversion Non-Credit to Credit, 902-3
 Coproduction/Licensed Production, 900-3
 DCS Guidelines, 902-45
 DSAA Approval, 902-3
 Designation of Authority, 902-21
 Direct Commercial Contracts, 503-5, 900-3, 902-4
 Direct Credit, 900-1
 Disbursement, 902-4
 Eligibility, 901-1
 Essential Contract Elements, 902-54
 Essential Items, 202-4
 Exceptions, 901-1
 Excess Funds, 1304-5
 Export-Import Bank, 900-2
 Federal Financing Bank, 902-2
 Fiscal Provisions, 900-3
 Foreign Intimidation/Harassment, 900-2
 Grant Agreement, 902-27
 Guaranteed Loans, 900-1 – 900-3, 902-2
 Guaranties, AECA/24, 202-5, 900-1
 Guarantor (DSAA), 902-8
 Implementation, 902-1
 Interest Rates, 902-2
 Issuance, 902-2
 Licensed Production, 900-3
 Loans, 902-2
 Agreement, 902-10
 Direct, 902-2
 Multiple Sources, 1301-8
 Offshore Procurement, 902-5

Payments, Use by DOD, AECA/37, 202-4
 Procurement Outside US, AECA/42(c), 202-2
 Prohibitions Against Discrimination, 900-2
 Promissory Note, 902-17
 Repayment, 202-4, 902-3, 902-6
 Third Party Transfers, 900-3
 Transportation, 802-6, 902-4
 Use of Financing, 901-1
 Violation, 900-2

Cross

Service Training, 1000-3
 Training, Sequence, or Prerequisite Training, 1001-12

Current Year Training, 1001-12

Custom Clearance, 503-1, 503-3
 Reporting of Exports, 503-3

D

DD COMPT (M) 1517 FMS Detail Billing Report 1308-1

DD Form

645 (FMS Billing Statement), 1303-1, 1308-2
 1513 (Replaced with LOA)
 1513-1 (Replaced with Amendment)
 1513-2 (Replaced with Modification)

DISAM (Defense Institute of Security Assistance Management), 704-5

DISCO (Defense Industrial Security Clearance Office), 501-3

DLA, 300-2

DLIELC (Defense Language Institute, English Language Center), 1003-1

DoD (Department of Defense), 300-1

DoDD

2040.2, International Transfer of Technology, 500-2
 4410.6 UMMIPS, 802-5
 5320.11 Disclosure of Classified Information, 501-1

DoDI 5230.20, Policy and Procedures for Control of Foreign Representatives, 501-2

DoDIG (DOD Inspector General), 1303-3

DoDM (Manual)

5105.38-M, SAMM, 100-1
 Applicability, 100-1
 Distribution, 100-2
 Purpose, 100-1

DoS (Department of State)

DSP 61 (License for Unclassified Temp. Import), 503-4
 DSP 85 (License for Classified Export/Import), 503-5
 DSP 94 (Authority to Export Defense Articles/Services), 503-1

DSAA, 300-2

1000 Materiel/Training System (MAP, MASF, IMET), 1502-1

1200 FMS Information System, 502-3, 1500-1
 Abbreviated titles used in, 1501-4
 Availability of Reports, 1501-1
 Case Level Records, 1500-1
 Case Level Reports, 1501-3
 Case Listing Report "C", 1501-4
 Congressional 36(b) Case Dates, 1501-4
 Report Descriptions, 1501-2
 Requests for System Reports, 1501-1
 Summary Management Reports, 1501-3
 Types of Data, 1500-1
 Countersignature, 701-3, 804-1, 804-3
 Declassification, 502-5
 LOA Coordination, 701-2
 Report Submissions, 502-5
 SDAF/IA Loan Agreement, 1400-16
DTS (Defense Transportation System) 802-9
 Countries Authorized, 600-7
Data
 Element Dictionary, D-1
 Elements (list), Case Manager, 704-7
 Required by the DSAA (TDP), 1401-18
 Sheet for TDP Transferred for Operation and Maintenance, 1401-26
 Sheet for TDP Transferred for Study or Production, 1401-27
Dates in FMS Billing and Collection, 1304-10
Debts, Delinquent/Interest, 1309-2
Defense Articles/Services, AECA/47, 202-1
Defense Cooperation in Armaments (Defense Industrial Cooperation), 300-1
Defense Language Institute, English Language Center (DLIELC), 1003-1
Defense Logistics Agency (DLA), 300-2
Defense Transportation System (DTS) Authorized, 600-7
Defined Order, 700-2
Delinquent Accounts, 1309-1
Delivery
 Codes, SDAF, 1400-9
 Commitment Date, 802-5
 Commitments, 202-3
 Reporting, 1308-1
 Schedule (LOA), 701-6
 Term Code 701-22 (See Billing)
Demilitarization, DOD 4160.21-M-1, 600-3
Dependable Undertaking
 Arrangements, 1301-6, 600-7
 Authorizations, 600-7
Design and Construction Sales, AECA, Sec 29, 600-4
Designator (LOA) Code, D-73
Direct
 Costs, 1307-1
 Entry ECL Failure Forfeiture Charge, 1003-3
 FMS Credit, (See Credit/Loans/Financing)
 Loans, 902-2

Direct Commercial Contracts, Classified, 900-3
Direct Commercial Purchases, 902-4
Direct Commercial Sales (DCS), 601-1, 1307-7
 Agent Fees, Credit, 902-80
 Commercial versus FMS, 602-2
 Concurrent DCS and FMS Negotiations, 601-1
 Contractor's Certification, Credit, 902-82
 DSAA Country Approval Letter, Credit, 902-74
 DSAA Supplier Approval Letter, Credit, 902-75
 Exclusions, 601-2
 FMS Credit Guidelines, 902-5, 902-78
 Nonrecurring Costs, 1307-7
 P&As and LOAs, 601-4
 Preference, 601-1, 601-3
 SAO Relations, 602-1, 602-3
 Transportation, Credit, 902-80
 USG Approval, 601-1
Disbursement Authorities, 1304-6
Disclosure, 501-1
Discrepancy Reporting (See RODs)
Disposal of US Origin Items, 600-2
Disposal of MAP Materiel, 1101-1—1101-4
Diversion of Materiel, 202-3, 802-2
Documents included with LOA
 Countersignature, 701-2
 Drawdown, FAA/506, 201-1

E

Economic Order Quantity (EOQ), 700-7
Eligible Countries/Organizations, 202-1, 600-1, 600-7
 Constraints, 203-1
 Financing, 901-1
Emergencies, See SA Wartime, 400-3
English Language Training (ELT), 1003-1
Essential Contract Elements, 902-54
Estimated Prices, 1307-1
Excess Defense Articles (EDA), 803-1
 AECA Sec 31(d), 803-1
 Control/Congress, 803-2
 FAA 502A, 516, 517, 518, 803-1
 LOA, 701-4
 P.L. 101-513, Sec 548, 803-1
 Reporting, E-2
 Surveys, 803-2
Execution, LOA Phase, 800-2
Executive Agent for SAAC, 1301-1
Exercises, Bilateral, Combined or Multilateral, 1002-1
Expanded IMET, 1001-1
Expenditure Authority, 1304-6
Explosives, LOA, 701-9
Export
 Controls, 500-1, 501-1, 502-1, 503-1, 1401-1, -5, -15

Export-Import Bank, AECA/32, 202-5
Extended Training Service Specialists, 1003-5
Extraordinary Expenses, 1000-4

F

FAA

Authority, 200-1
 Chapter 2, MAP Eligibility, 201-1
 481(h) Narcotics, 203-1
 502 Proper Use of Materiel, 203-1, 1101-1
 503 Loans of Defense Articles, 1201-1
 503(a)(3) "Map Merger", 201-1
 505(a) Transfer, 203-1, 600-3, 1101-1
 505(d) Violations, 203-1
 506 Special Authority/Drawdown, 200-1, 201-1, 1102-1
 506(a) Emergency Drawdown, 1101-1, 1102-1
 506(b) Authority, 1102-2
 506(c) Appropriation, 1102-2
 511 Arms Control, 202-1
 515 Overseas Management of Assistance and Sales Programs, 300-3
 517, 1100-2
 551 Peacekeeping, 300-3
 614(a) Waiver Authority, 203-1
 620A Terrorism, 203-1, 900-2
 620(e) Nationalization of US Property, 203-1
 620(f) Communist-Controlled Countries, 203-1
 620(q), 1001-13, 1100-3

FAR (Federal Acquisition Regulation), 202-3, 801-1

FAR Supplement, 202-3

FFB (Federal Financing Bank) Loans, 902-2

FMCS (Foreign Military Construction Sales), 202-3

FMS

Administrative Budget, 1302-1
 Billing Statement, 1308-2
 Case, 800-1
 Closure, 1305-2
 Delivery Listing, 1308-2
 Detail Billing Report (DD-COMP(M) 1517), 1308-1
 Direct Credit, 900-1
 Eligibility, 202-1
 Constraints on, 203-1
 Financed Purchases Credit, 902-3

FMSO I, 700-3

FMSO II, 700-3

FORDTIS (Foreign Disclosure and Technical Information System), 501-1

FTS (Field Training Services), 1003-5

False Impressions, 501-2

Familiarization Training, 1003-3

Federal Financing Bank Loans, 902-2

Ferrying, Aircraft, 701-28

Fifth Quarter Training, 1001-10

Financial (Management)

Accuracy/Inaccuracies, 1304-3
 Analysis, 701-2
 Analysis Worksheet (SDAF), 1400-7, 1400-14, 1400-15
 Annex, 1304-1, 1304-8
 Cost Recovery (see Costs)
 Export-Import Bank, AECA/32, 202-5
 Initial Deposit, 1304-2, 1304-6
 LOA, 701-23
 Payment Schedule, 1304-1
 Payment Schedule, Revisions, to, 1304-3
 Payment, US Dollars, 202-4
 Policies for Pricing, 1307-1
 Review Program, 1303-5, 1303-11
 Total Cost Recovery (LOA), 701-18

Financing (See Credit/Loans/Financing)

Eligibility, 901-1
 Terms of Sale, 1301-6

Firm Prices, 1307-2**Foreign**

Affairs Committee (House), 703-2
 Cooperative Projects, AECA, Sec 27, 1401-11
 Countries, Procurement in, 202-4
 Economic Capabilities, 400-2
 International Agreements, Authority for, 1401-1
 Liaison Personnel, 1004-3
 Manufacture of US Defense Equipment, 1401-1
 Military Construction Sales (FMCS), 202-3
 Military Sales (FMS) Cases, 700-2
 Relations Committee (Senate), 703-2
 Representatives, 501-2, 602-4

Format, P&A Data, 700-6

Freedom of Information Act (FOIA), 502-3

Freight Forwarder

Classified, 501-5
 Code, 701-23
 Form DSP 94, 503-1

Full Recovery of Costs, 1301-1

Funding

Current Year Training Program, 1001-13
 Limitations on FFB Disbursements, 902-3

Funding and Financial Considerations (IMET), 1001-11

G

GAO (General Accounting Office), 1303-2
GFE/GFM

Authorized Items, 603-1
 Authorized Purchasers, 603-1
 Financial Matters, 603-2
 Sale to US Companies, 603-1
 Sales Agreements, 603-2

Generic Code, 701-4, 701-21, D-9, D-27

Generic Code (MASL), 701-21, 1503-3, 1503-6

Goods, 500-1

Government Owned Facilities, Charges for
use of, 1307-8
Government Provided Engineering Services,
1307-3
Grant Agreement, 902-59
Grant Aid, 201-1
Funding, 1100-1
Guaranteed Loan Financing, 900-1, 902-2
Guaranties, 202-5, 900-1
Guaranty Reserve Fund, 902-8

H

Holding Accounts, 1304-5

I

IA (Implementing Agency), 800-1
ILCS (International Logistics
Communications System), 802-1
IMET (Int'l Military Education and
Training Program) (See Training/IMET),
1001-1
IMS Employment, 1004-2
ITAR (International Traffic in Arms Reg),
202-6, 700-2
Export License, 503-1
Provisions for Sales Proposals (SME), 503-4
Shipments of FMS Materiel, 503-2
Incendiary Items, 203-3
Indirect Costs, 1307-1
Industrial Plant Equipment, 1307-8
Industrial Security, 501-2
Industry Interface with SAO, 602-3
Informational Program, 1000-3
Initial Deposit, 1304-2, 1304-6
Inspections and Audits, 1303-1
Insurance, 802-8
Intelligence (Military) Training, 203-1,
1001-4
Interdepartmental Orders, SDAF, 1400-5
Interest on Arrears (Delinquent Debts),
1309-2
Interest Assessment on Delinquent Debts,
1309-2
Interest Rates, 902-2
International Agreements, 1401-1
International Organization & Country
Information, 600-7
International Traffic in Arms Regulation
(ITAR), 202-6
Intrinsic Military Utility, 500-1
Invitational Travel Order, 1004-1

J

JCS, 300-3
Javitz Report, 400-2

K

Keystone Equipment, 500-1
Know-How, 500-1

L

LOA (Letter of Offer and Acceptance),
700-1, 700-8, Format, 701-13, Standard
Terms and Conditions, 701-17,
Information, 701-21
Acceptance, 701-10
Additional Considerations, 701-5
Additional Notes, 701-8
Ammunition/Explosives, 701-9
Patent Rights, 701-9
Security Assurances, 701-9
Offset Costs, 701-9
Shipment Consolidation, 701-10
Amendments, 701-24, 804-1
Changes to, 701-24
Closure, 1305-2
Congress 36(b) Notifications, 703-1
Contingency Requirements Lines, 702-3
Coordination, 700-8, 701-2
Documents to Accompany, 701-2
Cost Data Exclusion, 701-2
Countersignature, DSAA, 701-3
Delivery Schedule, 701-6
Delivery Term Codes, 701-22
Description/Condition, Item, 701-21
Designator Code, D-73
Financial, 701-18, 701-23
Financial Annex, 1304-1
Format, 701-13
Freight Forwarder Code, 701-23
Generic, 701-4, 701-21, 1503-3, 1503-6,
D-9, D-27
Implementation, 800-1, 1301-1
Individual Responsible, 701-2
Information, 701-21
Logistics Information, 701-7
MDE/Non-MDE Code, 701-21, D-11
MOU, SOW, 701-7
Mark For Code, 701-23
Modifications, 701-24, 804-1
Manager, 704-1
NC Charges, 701-1
Negative Response, 700-8
Offer Release Code, 701-22
PCS and TDY, 701-6
Payment Schedule, 701-8
Personnel Movement, 701-6
Personnel Protection, 701-6
Personnel Related Costs (Sample Terms and
Conditions), 701-30
Personnel Training, 701-7
Policies, 701-1

Preparation, 701-4, 1301-1
 Preparation Checklist, 701-27
 Processing Activities (Army, Navy, Air Force, DLA, DMA), 701-11
 Program Management Lines, 702-1
 Requisitions, 701-8
 Retransfer of Defense Articles, 701-18
 Security, 701-10
 Serviceable Code, 701-21
 Shipment Consolidation, 701-10
 Shipments, 701-5
 Source Code, 701-21, 1301-7
 Specialized Lines, 702-1
 Supplementary Information, 701-26
 Terms and Conditions, 701-17
 Aircraft, 701-28
 Transportation/Services, 701-29
 Termination Liability Worksheet, 701-2, 701-25
 Terms of Sale, 701-4
 Training Notes, 701-22
 Type of Assistance Code, 701-21, 1301-5, 1301-7, 1301-10
 Unit of Issue, 701-21, D-18, D-61
 Validity of Data, 701-6
LOA, Misc Information (See Cases), 700-1
LOI (Letter of Intent), 700-2, 700-9, 700-13
 Amendment, 700-15
 Coordination, 701-2, 1301-1
 Preparation, 700-9
 Terms and Conditions, 700-14
LOR (Letter of Request), 700-4
 Channels of Submission, 700-4
 DoS/DSAA Approval, 700-5
 Format, 700-4
 Responses, 700-6
 Timeframes, 701-2
 Validation, 701-2
Leases, AECA/Chapter 6, 1200-1
 Approval, DoD, 1200-1
 Certification, 1200-3
 Congress Notification, 1200-3
 Coordination, 1200-3
 Financial, 1200-5
 Navy Ships, 1200-5
 Sample Lease, 1200-8
 Terms and Conditions, 1200-2
 Use of Leases, 1200-1
Leave/Leave Extension, 1004-3
Letter of
 Intent, 700-2, 700-9
 Offer and Acceptance (See LOA), 700-1
 Request (See LOR), 700-4
Licensed Production, 900-3
Licensing (Export/Import)
 Exclusive Arrangements, AECA, Sec 42(a), 600-5
 Reporting DOD Sponsored Shipments, 503-1
 Transportation Documents, 503-1

US/DOD Exemption, 503-1
Living Allowances (FMS Students), 1002-2
 Table of Daily Supplemental Living Allowances (IMET Students), 1001-17
Loans (see Credit/Loans/Financing)
 for Research and Development Purposes, AECA Sec 65, 1201-1
 of Defense Articles, FAA, Sec 503, 1201-1
 of Equipment, SDAF, 1400-9
Logistics, 802-1
 Conference Costs, 702-2
 Information, LOA, 701-7
 Support, 202-5
 Support charges (LSC), 1307-6
 Support of non-DOD commercial and non-standard items, 202-5
 Support through normal DOD procurement, 202-5
 Support when item phased out by DOD, 202-5

M

MANPADS (Man-Portable Air Defense System Sales), FAA 506(a), 203-4, 7
MAP (Military Assistance Program), 1100-1
 Administrative Budget, 1302-1
 Accessorial Costs, 1101-4
 Allocation of Funds, 1100-1
 Disposal, 1101-1, 1101-3
 Eligibility, FAA/Chap 2, 201-1
 End Use of Materiel, 1101-1
 FY 1981/Prior MAP, 1100-3
 Financed LOAs for Defense Services, 1100-2
 Impact of Brooke Amendment, 1100-3
 Impact of FAA Sec 620(1), 1100-3
 Merger, FAA/503(a)(3), 201-1, 1100-1, 1301-6, 1304-5
 Pricing/Services, 1100-2
 Redistribution, 1101-3
 Restrictions, 1100-2
 SAO Budget Support, 1302-2, 1302-5, 1302-6
 Transfer of Funds, 1100-1
 Use and Disposal of MAP Materiel, 1101-1
MASL (Military Articles and Services List), 1503-1
 Content, 1503-2
 Data Submission, 1503-9
 Distribution, 1503-8
 Materiel MASL, 1503-1, 1503-14
 Training MASL, 1503-1, 1503-15
MDE (Major Defense Equipment)
 Code, LOA, 701-21
 Definition, 700-2
 Indicator (MASL), D-11
 List, 700-16
 P&A Data, 700-1
MOA, "Memorandum of Agreement," 1401-4
MOU, "Memorandum of Understanding," 701-7, 1401-4

MTTs (Mobile Training Teams), 1001-2, 1003-3

Approval Criteria, 1003-3
 Coordination and Preparation, 1003-4
 Duration, 1003-4
 Purposes, 1003-4
 Programming Instructions, 1003-4

Man-Portable Air Defense System Sales (MANPADS), 203-4, 203-7

Management, Case, 704-1
 Manager, Case, Charter, 704-6
 Marine Transportation Waivers, 802-7
 Mark For Code, 701-23
 Materiel Notices, 400-3
 Materiel Usage, 202-3, 203-1

Diversions, 202-3
 Proper Use, 600-2
 Standards, 202-4
 Third Party Transfer, 600-3

Medical

Care, 1002-3
 Costs, 1001-9
 Screening, Student, 1004-1

Milestones for LOA Requests, 703-12/13**Military**

Justification 36(b), 703-17
 Ranks, Descriptions of, 1005-1
 Traffic Management, 802-9

Modifications (of LOAs), 701-24, 804-1, 804-2, 804-3, 804-10

Coordination, 1301-1
 Countersignature (DSAA), 701-3, 804-3
 Pen and Ink Changes, 701-10
 Preparation, 804-5
 Receipt, 804-12
 Sample, 804-10

Monitorship, Royalty Fees, 1401-24/25**Multiple Sources of Financing, 1301-8****Munitions List (US), AECA/38(a), 202-1, 202-6****N****NAMSA (NATO Maintenance Supply Agency), 1301-3****NC, NRC (Nonrecurring Costs/Charges), 701-1, 1301-2, 1307-6, 1307-7, 1307-8****Napalm, 203-3****Narcotics, FAA 481(h), 203-1**

Counternarcotics Leases, 1200-5

National Disclosure Policy (NDP-1), 703-4**National Stock Number, D-13****Nationalization of US Property, FAA/620(e), 203-1****Negative Responses, LOA, 700-8****Nonrecurring (See NC, NRC)****Notification(s), 36(b) to Congress, 703-1, 703-10****Advance Statutory, 703-3, 703-10****O****Obligational Authority, 1302-1****Observer Training, 1003-3****Offer Release Code, 701-22****Offset**

Administrative Costs, 701-9, 1401-14
 Procurement, 1401-14

On-the-Job Training, 1003-3**Operational Testing and Evaluation (Incomplete) 700-6, 701-10****Orientation Tours (OT), 1001-2, 1003-6****P****P&A (Price and Availability)**

Agent Fees/Commissions, 700-8
 Coordination, 700-7
 Data, 700-1
 Estimates, 700-7
 Format, 700-6
 Report, E-1

PCS/TDY, LOA, 701-6**Packing, Crating and Handling, (MAP) 1101-4, (FMS) 1307-4****Patent Rights, 701-9****Payment Schedule, 1304-1**

LOA, 701-8
 Revisions, 1304-3

Payment(s)

Late, 1309-1
 on Delivery, 1301-6
 Schedule, 1304-1
 Schedule Revisions, 1304-3
 to Cover Costs, 1301-1
 US Dollars, 202-4

Pen and Ink Changes, 701-10**Performance Reporting, 1308-1**

(See Billing)

Performance Specifications, 704-5**Personnel**

Movement, LOA, 701-6

Police

Training, 1001-3, 1001-4

Policies, LOA, 701-1**Policy, Basic Sales, (AECA), 202-2****Political Asylum/Temporary Refuge (IMS), 1004-2****Port Loading and Unloading, 1307-4****Positions of Prominence, 1005-1**

Reporting, 1005-1

Preparation (and)

Implementation of DD Form 1513, 1301-1
 Processing of LOAs, 701-1
 of Payment Schedules, 1304-1

Prepositioning, 1307-4

Presidential Determination, AECA/3(a)(1), 202-1

Pricing (see Costs/Pricing)

Priority

UMMIPS (DODD 4410.6), 802-5

Privileges (IMS), 1002-3

Procedures, LOA, 701-2

Process and Procedures (Credit/Financing), 902-1

Procurement

Criteria for, SDAF, 1400-3

Foreign Countries (in), 202-4

Professional Military Education (PME)

Exchange Training, 1003-8

Program Management, 702-1

Progress Payments, 1304-7

Prohibition

Against Discrimination, Intimidation, Harassment, AECA/5,6, 202-2

on Front Loading Payment Schedules, 1304-3

Promissory Note (Credit), 902-17

Public Domain, 500-2

Purchasers

Eligible, 600-7

Exempt/Non-Exempt, 703-8

Q

Quality Assurance and Inspection, 1307-9

Quarterly Billing, 1308-2

Quotation of Firm Prices, 1307-2

R

RODs, Reports of Discrepancy, 802-1, 802-12, 802-14, 1308-2

Reciprocal Exchange Training, 1003-7

Reconciliation, 1305-1

Record Serial Number, D-15

Recovery of Cost, 202-4

Redistributable MAP Items, 1101-3

Release of Information, 502-3, 502-6

of Government Owned Technical Data, 1401-16

Rental Charges for Use of DOD Assets, 1307-8

Repair and Replace, 802-1

Repayment (Credit), 902-3

Procedures, 902-20

Schedule, 902-18

Request For

IMET Waivers, 1001-4

Offset Procurement, 1401-14

Requirements, Reporting, 704-4

Requisitions

LOA, 701-8

Procedures, 802-4

Responsibilities, Case Management, 704-2

Retainable Instructional Materials (RIM), 1004-2

Riot Control Agents, 203-3

Routing Identifier Code, D-12

Royalty Fees, 1401-16, 1401-23

Billing, 1401-24

Collection of, 1401-24

Computation of, 1401-23

Management of, 1401-23

Monitorship, 1401-24

Reduction, Waivers, Exemptions, 1401-24

S

SA Network, 1504-1

Access, 1504-2

Accounts and Passwords, 1504-2

Changes to, 1504-2

Equipment, 1504-2, 1504-9

Managers, 1504-7

Points of Contact, 1504-11

Responsibilities, 1504-3

SAOs, 1504-3, 1504-6

Security, 1504-1

Software, 1504-3

Training, 1504-1

SAAC Responsibility (Financial Administration), 1005-1, 1303-1

SAMM (5105.38-M)

Applicability, 100-1

Distribution, 100-2

Purpose, 100-1

SAN (See SA Network)

SAO

Action (MAP Materiel), 1101-2

Airlift Revenue Traffic, 1302-7, 1302-10

Armaments Cooperation Function, 300-13

Budget, 1302-1

C-12 Aircraft Management, 1303-6

Coproduction, 1401-10

Disposal of Defense Articles, 600-2

ECL, 1003-1

Industry SA Relations, 602-1

Leases, 1200-1

MAP Budget Support, 1302-2, 1302-5, 1302-6

Reports, 1302-7

SA Network, 1504-3, 1504-6

Sole Source, 801-3

SDAF (Special Defense Acquisition Fund), 1400-1

Closure, 1400-8

Financial Analysis, 1400-7

Financial Analysis Worksheet, 1400-7, 1400-14

Funding, 1400-2

Inventory Control, 1400-6

Inventory Reporting, 1400-6

Loans to IAs, 1400-9, 1400-16

MIPR Issuance, 1400-4

Procurement, 1400-3
 Sales, 1400-7
 Transportation Payment, 1400-8
SME (Significant Military Equipment),
 202-6, 503-4, 700-2
 Channels of Submission, 700-4
 Department of State Approval, 503-4
 Direct Commercial Sales, 601-3
 Milestones, 703-12
SecDef (Secretary of Defense), 300-1
SecState Approval Authority, AECA/2(b),
 202-1, 300-1
SET (Specialized English Language
Training), 1003-2
SOW (Statement of Work), 701-7
Sale of TDPs for Production Purposes or
Study Purposes, 1401-18
Sales
 LOAs, Preparation and Processing, 701-1
 Commissions and Agents Fees, 801-1, 801-4
 of TDPs for Operation and Maintenance, 1401-17
 of TDPs for Production or Study Purposes,
 1401-18
 Policy, 202-2
 Purposes of (Credit), 900-2
Sanctions [Brooke, 620(q)], 1100-3
Scope, Major Changes, 804-1
Secondary Items, 802-1, 1307-2
Section
 21, AECA, 1307-2
 36(b), AECA, 703-1
 506, Special Authority, 1102-1
Security Assistance, 101-1
 Accounting Center, 1303-1
 Armaments Cooperation (UCOM), 300-13
 Cancellation, Suspension, 203-7
 Channels of Communication (SAO), 301-1
 Implementation, 101-1
 Management Manual, 100-1
 Monitoring of US Origin Items, 600-2
 Organizations (SAO), 300-3
Planning
 Activities and Tools, 400-2
 Considerations, 400-1
 Policies, 400-1
 Responsibilities, 400-1
 Program Management/Oversight Functions (SAO),
 300-11
 Scope, 101-1
 Suspension, 203-7
 Wartime, 400-3
Security
 Assurances, 701-9
 Classification Guidelines (MAP, IMET, P&A,
 LOR, LOA, NRC), 502-1, 502-2, 502-3
 Coproduction, 502-3
 Screening, Student, 1004-1

Segregating and Accounting for FMS Costs,
 1304-7
Selection of Trainees, IMET, 1001-4
Self-Invited Visits, 1000-5
Sensitivity of Technology (NDP-1), 703-4
Serviceable Code, LOA, 701-21
Ship Transfers, 202-2, 203-3
Shipments
 Consolidation, 701-10
 Form DSP-61, 503-4
 Form DSP-85, 503-5
 Form DSP-94, 503-1
 LOA, 701-5
Single Selling Price, 1307-1
SOFA (Status of Forces Agreements),
 701-32
Sole Source, 801-1
Source(s)
 of Financing, 1301-8
 of Supply Codes, 701-21, 1301-7
Specialized LOA Lines, 702-1
Specialized Training, 1003-1
Staging, 1307-4
Standards, Materiel, 202-4
Standard Terms and Conditions (LOA),
 701-1, 701-17
State Department Approval (LOR), 700-5
Statement of Work (SOW), 701-7
Statutory Notification Data [36(b)], 703-1,
 703-10
Stinger, 203-6
Stock Pricing, 1307-2
Strategic Trade Cases, 500-2
Student
 Administration, 1004-1
 Dependents of, 1004-2
 Disposition in Case of Emergency, 1004-2
 Employment, 1004-2
 Medical Screening, 1004-1
 Political Asylum/Temporary Refuge, 1004-2
 Security Screening, 1004-1
 Training, Minimum Duration in US, 1001-3
 Uniforms and Personal Clothing, 1004-2
 Unit Exchange Training and Related Support,
 1003-8
 Visits to Canada and Mexico, 1004-2
Subcontractor Sole Source Designation,
 801-3
Summary of Terms of Sale/Type of
Assistance Codes, 1301-10
Supplemental Information (LOA), 701-1
Supplemental Financing Terms and
Conditions, 1304-8
Survey Teams, 400-3, Table 400-1
 Costs, 702-2
 for EDA Requirements, 803-2
Suspension of SA, AECA/2(b), 42(e), 203-7

T

TAFTs (Technical Assistance Field Team), 1003-5

TATs (Technical Assistance Team), 1003-5

TDY/PCS, LOA, 701-6

Technical Assistance Agreement, 500-2

Technical Data (TDP), 500-2

Authorization for Use, 1401-5

Data Sheet, 1401-26

Defined, 1401-3

DSAA Requirement, 1401-18

Flowback of Information, 1401-5

LOAs, 1401-17

Release, 1401-15

Restrictive Markings, 1401-23

Revisioning Services, 1401-22

Sales, 1401-17

Study, Production Purposes, 1401-18

Technology

Critical, 500-1

Sensitivity, 703-4, 703-20, 703-22

Transfer, 500-1

Termination, AECA 35, 202-2

Termination Liability, 1304-4

Worksheet, 701-2, 701-24

Terms and Conditions (LOA), 701-17

Additional, 701-5, 701-28, 701-29

Terms and Conditions of Leases, 1200-2

Terms of Sale, 701-5, 701-21, 1301-5, 1301-10

Terrorism, AECA/3(f), FAA/620, 203-1

Test of English as Foreign Language, 1003-2

Third Party Transfer, AECA, Secs 3(a), 38, FAA, 505(a), 600-3, 900-3

Title Transfer, 802-6

Aircraft, 802-6

Total Package Approach (TPA), 800-2

Trainees, Selection and Utilization of, 1001-4

Training

AIASA Reports, 1000-2

Analysis Codes, 1001-17

at US Civilian Schools, 1001-2

Attrition Charges, 1307-8

Budget Year Codes, 1001-10

Cancellation Penalty, 1001-13

Counterterrorism, 203-1

Cross Service, 1000-3, 1001-12

Current Year, 1001-13

Emphasis Areas, 1001-1

English Comprehension Level (ECL), 1003-1

English Language Training, 1003-1

Exchange Training, 1003-7

FMS, 1002-1

Financing TLA, 1002-2

Living Allowances, 1002-2

Medical Care, 1002-3, 1004-1

Training by Contractors, 1002-2

Transportation, 1002-2

Tuition Rates, 1002-2

Funding and Financial, 1001-11

IMET (International Military Education and Training), 201-1, 502-1, 1001-1

Administration, 1004-1

Allocation Levels

End-of-Year Review, 1001-5

Baggage, 1001-8

Brooke Amendment, 902-7, 1001-13

English Language Training, 1003-1

FAA 620(q), 1001-13, 1100-3

Familiarization, 1003-3

Fifth Quarter, 1001-10

Foreign Language Training, 1001-3

Funding, 1001-1, 1001-10

Intelligence Training, 1001-4

Joint Service Training Planning Reviews, 1000-2

Leave, 1004-3

Living Allowances 1001-6, 1001-17

MTTs, 1003-3

Medical Costs, 1001-9

Minimum Duration, 1001-3

Notes, LOA, 701-22

Objectives, 1001-1

Orders, 1004-1

Orientation Tours, 1001-2, 1003-6

Planning, 1000-1

Programming

Formal Training, 1001-11

Formal Training Overseas, 1001-12

Waivers, 1001-4

Request, Submission Guidance, 1000-3

Selection of Trainees, 1001-4

Trainees, Dependents of, 1004-2

Transportation for, 1001-5

Training Analysis Codes, 1001-10

Transportation, 1001-5

Tuition Rates, 1002-2

Use of Funds, 1002-2

Waivers, 1001-2, 1001-3, 1001-4

ITO (Invitational Travel Order), 1004-1

in Support of FMS Equipment, 1002-1

Informational Program, 1000-3

Instructional Course Materials, 1004-2

LOA Notes, 701-22

MASL, 1503-1

Military Intelligence, 203-1

Observer, 1003-3

of Civilians, 1002-2

on-the-job, 1003-3

Orientation Tours, 1003-6

Police, 203-1, 1001-3, 1001-4

Positions of Prominence, 1005-1

Pricing, 1307-1

Program Development, 1000-1
 Prohibitions, 1000-1
 Request Submission, 1000-3
 Requirements Related to Purchase of Major Equipment, 1002-1
 Restrictions on Transfer, 1000-1
 Specialized Training, 1003-1
 FTS, 1003-5
 MTTs, 1003-3
 TAFTS, 1003-5
 TATs, 1003-5
 Student Administration, 1004-1
 Support, Other, 1001-12
 Training Program Management Review, 1000-2
Transfer, AECA/3(a)(2), FAA 505(a), 203-1
Transfer/Retransfer of Articles
 Certification, 600-3
 DoS Approval, 600-3
 of MAP Funds, 1100-1
 of Training (Restrictions), 1000-1
 Reports to Congress, AECA Sec 3(d), 36(b), 600-4
Translation Services, 600-5
Transmittal Letter for Unsigned LOA, 703-25
Transportation, 802-5—802-12
 Aircraft Movement, LOA, 701-28
 CCBL 802-9
 Canada, 802-9
 Charges, 1307-4
 Classified Items, 802-9
 Controlled Substances, 802-9
 Cost Look-Up Table, F-1
 Credit Funds, 802-6, 902-49
 DTS (Defense Transportation System), 802-5,
 802-9, Table 600-1
 Documentation, 802-12
 Freight Forwarder, 802-5/6, 802-11
 Insurance, 802-8
 LOA Additional Terms and Conditions, 701-29
 Offer and Release, 802-11
 Plan for Classified Materiel, 503-9
 Returns, 802-11
 Shipment Consolidation, 701-10
 Special Assignment Airlift Mission (SAAM),
 802-10
 Title Transfer, 802-6
 Tracers, 802-11/12
 Waivers, 802-7
Trust Fund, 1303-1, 1304-5
Tuition Rates, FMS Training, 1002-2
Type of Assistance Codes, 701-21, 1301-5, 1301-10
Types of Request (P&A/LOA), 700-1

U

US Defense Equipment, Foreign
 Manufacture of, 1401-1

US Munitions List, 202-1, 202-6
 US Origin Items
 Country Responsibility, 600-2
 Demilitarization, 600-3
 Disposal, 600-2
 SAO Monitoring, 600-2
 USD(A&T), 300-2
 USD(P) (Under Secretary of Defense for Policy), 300-1
 Unauthorized Baggage, 1001-9
 Under Secretary of Defense for Policy,
 USD(P), 300-1
 Unified Command Country/Organization Code, 600-7
 Unified Commands, 300-3
 Uniforms and Personal Clothing, 1004-2
 Unit Exchange Training and Related Support, 1003-8
 Unit of Issue, 701-21, D-18, D-61
 Use and Disposal of MAP Materiel, 1101-1
 Utilization of Trainees, 1001-5

V

Violations, AECA/3(c), FAA 505(d), 203-1

W

Waivers (Costs), 1301-2, 1401-12
 Cost Recoupment, 1301-2
 IMET, Request, 1001-4
 Warranties, 801-7
 White Phosphorus Munitions, 203-3
 Withdrawal (Materiel) AECA Sec 21(i),
 802-2

